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TOPICS OF THE MONTH

THE RESERVE BOARD'S REPORT

EVERY banker should read the annual report of the Federal Reserve Board. It is a fine demonstration of the Board's conservatism, dignity and fairness. It is in refreshing contrast with the theoristic futility common in governmental reports. The Reserve Board plainly has a firm grasp of the system that it was organized to supervise and it has not yielded to the temptation to be led into fields that are out of line with its operations and beyond its obvious powers.

For the first time in this report there is given in connected and concise form a statement of the conditions that the Board has had to deal with and of the problems it has confronted. The problems toward whose solution progress has been made are not small. They are being worked out patiently and practically. The report shows no disposition toward dogmatism. Nothing has been done in one way that will not be done in another if experience shows another way is better. The Federal Reserve Act takes on new significance and the reserve system becomes more a practical realization in the light of this report. No one is qualified to criticize the Board's achievements or to discuss its plans and purposes until correctly informed of the reasons that prompted each action and the motives that governed in each case.

CONTRASTED REPORTS

The report of the Federal Reserve Board contains twenty-two pages of matter and a series of exhibits, largely in tabular form, of ninety-three pages. The complete publication contains the reports of the twelve Federal reserve agents and has the additional value, therefore, of giving not only the operations of the Federal Reserve Board, but also of each of the Federal reserve banks.

The annual report of the Comptroller of the Currency contains in the first volume (the second has not yet been issued) 231 pages. Of this an appendix of eighty-three pages is given up to detailed tabulated statements of interest charges by one bank in Louisiana, two banks in Georgia, nine banks in Oklahoma and four banks in Texas. Of the remainder of the report twenty pages are devoted to the Federal reserve system, eleven pages to recommending amendments to the National Bank Act to Congress, and eleven to the discussion of usury and what the Comptroller has done to prevent and expose it.

In other respects there is an overlapping in the fields of activity of the Comptroller and the Federal Reserve Board, but in the field of oratory, politics and controversy the Comptroller has no competition.

The reading of the two reports and observing a conflict in viewpoint between the Reserve Board and the Comptroller serves again to demonstrate the futility of continuing the office of the latter as a position of useful purpose in the new banking system. The Comptroller gives practically as much space to the discussion of the reserve system as does the Reserve Board. He makes recommendations to Congress, whose adoption would affect the operation of the Reserve Act as vitally as would any of the suggestions made by the Reserve Board.

Contrasting the two reports gives additional clarity to the fact that the national banks cannot be considered as something separate from the Federal reserve system and the National Bank Act cannot be properly construed and interpreted except in the light of the Federal Reserve Act. The two laws need harmonizing and recodifying. Something more than a year's experience under the Federal Reserve Act has made this conclusive. If the office of the Comptroller is not abolished the powers and duties of the office should be legally defined. No other government official is in such an anomalous position. Ostensibly a bureau chief in the Treasury Department, the Comptroller is appointed "by the President, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate." The term of office is five years. The incumbent may be removed by the President, who must, however, communicate the reasons for the removal to the Senate. Under the National Bank Act the Comptroller's salary is $5,000 a year. This sum is paid out of the appropriation made for the office. He receives $7,000 a year from the Federal Reserve Board and has a secretary at $2,500 paid from Reserve Board funds. He appoints national bank examiners and recommends their salaries, which are fixed by the Reserve Board. In addition to funds appropriated for the office as a bureau of the Treasury Department and an income from the funds of the Federal Reserve Board, the Comptroller's office has an income from the Department of Insolvent Banks, from the issue and redemption of bank notes and from the fees assessed against national banks for examination.

The Comptroller of the Currency was made an ex-officio member of the Federal Reserve Board to the end that the latter might have access to the records of national banks and the files of the Comptroller's office. But the board has no such access as a matter of right; such access is a privilege or courtesy extended by the Comptroller.

The Comptroller makes an annual report to Congress—not to the Secretary of the Treasury, the head of the fiscal system of the Government, nor to the Federal Reserve Board, the head of the banking system. He has his own office staff and directs the work which duplicates much of that of the Reserve Board, and may duplicate it all, if the Comptroller so desires.

Under the National Bank Act the Comptroller is authorized to suggest to Congress "any amendment to the laws relative to banking by which the system may be improved and the security of the holders of its notes and other creditors may be increased." The opportunity for conflict in recommendations and for inharmony is shown by the annual reports of the two controlling and regulatory forces in the banking system. In his report the Comptroller calls attention to the great increase in the work of the bureau and the necessity for more clerical assistance "to prevent the work from falling behind."

The Comptroller also recommends a dozen or more amendments to the National Bank Act. If the suggestions are worth considering they should be considered as amendments to the Federal Reserve Act, not to the National Bank Act. Since the Federal reserve system came into existence it is the National Bank Act which causes the inharmonies in banking practices and it is to the Federal Reserve Board that everyone looks for such unification of banking practices as are possible in view of the variations in system. National banks will not be pleased over even a remote prospect of restrictions which make it still more difficult for them to compete with state banks that may be admitted to the privileges of the reserve system without becoming subject to these restraints. State banks will be made timid by even the remote prospect of the extension of restrictions in the National Bank Act to all banks which are members of the reserve system. The adjustment and settlement of these questions should be a matter for the consideration and decision of the Federal Reserve Board; they are not questions for the Comptroller.

As an instance of the conflict of opinion between the Comptroller and the Reserve Board it

may be noted that the former recommends that "national banks, with the approval of the Comptroller of the Currency, shall be allowed to establish and maintain branches within certain limits, for example, within city or county lines, but not without the boundaries of the state in which the parent bank may be located."

The Federal Reserve Board recommends that "permission should be granted to national banks to establish branch offices within the city, or within the county, in which they are located."

Another recommendation of the Comptroller is that "the rates of interest which any national bank may pay on its deposits shall not exceed four per cent. per annum unless the highest rate for time paper fixed by the Federal reserve bank of the district shall be more than four per cent., etc." The Federal Reserve Board makes no recommendation of this kind and it is to be regarded either as a matter of no importance or one in which the board that is most concerned about such matters has taken no active interest. The Reserve Board is the body whose recommendations in regard to banking legislation are entitled to consideration. They are working with the banks for the common good of the country and not against them. Congress might well be confused by the conflict of recommendations in the two reports.

The longer the experience under the present system, the more pronounced will become the necessity for recodifying the National Bank Act and either defining the powers of the Comptroller or eliminating the office. The statistical work, whose execution is the Comptroller's chief duty, could be performed to better purpose by the Reserve Board.

RESERVE BOARD'S SUGGESTIONS

The Federal Reserve Board has suggested to Congress six amendments to the Federal Reserve Act, as follows:

1. To permit national banks to subscribe for and hold stock in banks organized for the special purpose of doing a banking business in foreign countries.
2. To permit Federal reserve notes to be issued to Federal reserve banks either against the deposit of an equal amount of rediscounted paper or of gold or of both, the gold so deposited to count as part of the reserve required of the bank against such notes outstanding.
3. To permit domestic acceptances.
4. To permit national banks to establish branches within the city or the county in which they are located.
5. To permit the reserve banks to make short loans to member banks on approved collateral.
6. To extend the privilege of loans on farm lands by national banks.

The recommendation most open to criticism is the last one. Farm loans secured by real estate mortgage can be regarded only as unliquid. Commercial banks are supposed to invest only in paper of short maturity and to keep their assets liquid.

The provision permitting national banks to make loans on farm mortgages was placed in the Federal Reserve Act for the purpose of quieting the clamors of agricultural statesmen for whom liquidity could not be defined in simple enough terms. In the minds of those who believe the Federal reserve system was created for the purpose of placing commercial banking under scientific rules the necessary amendment in this respect is to repeal the provision that permits national banks to make real estate loans under any circumstances at all.

BOOSTING THE COMPTROLLER

On February 25 the following statement was "given out" from the office of the Comptroller of the Currency:

> The Comptroller of the Currency received today from the Farmers' Grain Dealers' Association of Iowa notification of the adoption at the convention of that association in Des Moines, Iowa, on the 17th instant, of the following resolution:
>
> *Be It Resolved,* By the Farmers' Grain Dealers' Association of Iowa, representing 40,000 members, as follows:
>
> That we are as much opposed to bank discrimination in interest rates as to railroad discrimination in freight rates.
>
> We oppose private control of the public currency.
>
> That we strongly commend the Comptroller of the Currency for his courageous exposure of bank usury; and we unalterably oppose the efforts of the guilty parties to abolish his office.

There has been no better statement of the Comptroller's position than is here given—credit standing and variations of it must have no influence on interest rates and anyone who wishes his office abolished is guilty of usury; or, conversely, only those guilty of usury wish the office abolished.

The statement is inadequate only in the failure to define what is meant by "private control of the public currency."

THE RURAL CREDITS BILL

The rural credits bill reported by Senator Hollis "with amendments" on February 15 opens up questions which are more than incidents of the plan to provide a means whereby farmers may borrow money on long time land mortgage. Aside from the "government aid" features of the bill is this statement in section twenty-nine: "First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this Act shall be deemed and held to be instrumentalities of the government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, state, municipal and local taxation."

Primarily the exemption from taxation of the bonds and mortgages to be created under the operation of this plan is based on a desire to make marketable securities of whose marketableness the supporters of the measure apparently have grave doubts. To make these securities "instrumentalities of the government of the United States" goes beyond the achievement of this desire. It converts the government into a farm loan agency with the obvious result—if not the purpose—of competing with all existing plans of making farm loans and of destroying individual initiative and opportunity. It creates a favored class and the correction of the idea of favoritism will not be found in the repeal or modification of this provision, but in the gradual inclusion of other classes in other favors of similar import.

Instances of this tendency toward favoritism are plentiful. Recourse need not be had to the patently paternalistic bills which mark only individual views and will not be heard of again at this session of Congress. A glance at recent events will show the tendency. An indefinite number of Congressmen in the last session put forward plans to aid cotton growers by valorizing cotton through government assistance. The plans ranged in form from the building of warehouses for withholding the cotton crop to the isuance of government notes directly against this product. Advances were made by the treasury in the form of government deposits with banks and even the President joined in a request that the interest rates on funds advanced against cotton be as low as one or two per cent. Some modification of the obvious favoritism was sought by giving the plan application to any other agricultural products, but this was obviously a subterfuge. If by private initiative a similar plan were sought as a means of raising or holding up the price on a manufactured product there would be instant recourse to the anti-trust law and the creation of a sweeping demand that someone be put in jail.

As to cotton itself, experience revealed that no recourse to eleemosynary action was necessary and political doctors gradually recovered from the hysteria. But the same sort of effort is found in the rural credits bill. From every section there stares forth the desire to help the farmers at the expense of others and the bill is charged with doubt on the part of its framers that they will succeed. They seem to have no confidence in their own product. They have filled the bill with alternative propositions and, by way of marking their general skepticism as to its necessity and practicality, they have inserted an amendment which imposes upon the Federal Farm Loan Board the obligation to carry on a publicity campaign designed to teach the farmer the advantages of borrowing money under the plan outlined in the bill and to teach investors the advantage and propriety of investing in farm loan bonds.

The alternative propositions are of interest as marking the uncertainty of the proponents of the measure. In the first draft of the bill the Federal Farm Loan Board was made an independent organization. Later this was changed so that it is now a bureau of the Treasury Department with the Secretary of the Treasury as an ex-officio member. This board is directed to divide the country into twelve districts and establish a farm land bank in each. If the capital of these banks is not taken by private subscription the government can subscribe for it and look for the repayment of its advances from the stock subscriptions made by the farm loan associations which are to be organized by borrowers, if there are any.

If no borrowers appear in any district to form farm loan associations and to provide the capital from which the government's advances may be repaid, the Federal land banks may be authorized by the Farm Loan Board to make loans through

banks, trust companies or other established agencies, pending the time when the Farm Loan Board shall have educated the farmer up to the advantages of borrowing money under the new plan.

As an alternative to the farm land banks there is provision for the organization of joint stock land banks, which are to be the creations of private enterprise. These banks can do about anything the farm land banks can do, but borrowers will not subscribe their capital and the government will not help them.

On the investment side of the plan, the bonds based on the mortgages secured are made as attractive as possible so that the investing public may be tempted to buy them. Each land bank is responsible for the bond issues and for interest upon bonds issued by other land banks which may have defaulted payment, and for unpaid portions of the principal after such defaulting bank has been liquidated. The bonds are exempt from taxation of all kinds. They are declared to be a lawful investment for trust funds and may be accepted as security for all public deposits. Of the power of Congress to designate what shall be security for public deposits there is no doubt; but there is very grave doubt if Congress has power to specify that any particular kind of security can be a lawful investment for trust funds. Such matters are peculiarly under the supervision of state legislatures and are regulated by state laws. It is further provided that any bank of the Federal reserve system may buy and sell farm loan bonds. The Federal reserve banks themselves are privileged to load up with these securities without regard to the effect on the liquidity of their assets. Any member bank may accept time drafts against these bonds as security and such a draft is rediscountable. Thirty per cent. of postal savings deposits may be invested in them.

The question of the desirability of the bonds for investment and the attitude of the savings banks toward them was one of much concern to the committee which had in charge the production of a rural credits measure. In view of the provisions they have put in the bill it would seem that they did not receive much encouragement from habitual purchasers of securities. Of the value and desirability of the bonds as investments, if the system could be got into effective operation, there can be no doubt. The bonds are a form of security which is most attractive. If they could be popularized so that there would be a ready market for them they should be almost a preferred investment. If they cannot attain that distinction on their own merits little progress will be made by giving them standing with the Federal reserve banks and the banks that are members of the Federal reserve system. One of the purposes in establishing the Federal reserve system—and not the least important purpose—was to deprive securities dealt in on the New York Stock Exchange of their position in the scheme of commercial banking. It would not be progress to give securities that are no more liquid a place in the commercial banking scheme. Opposition to the plan to permit stock exchange securities to be the basis for rediscount operations was successful and it seems to have been promoted by the same political force that is urging the utilization of farm loan bonds in exactly that way. Perhaps the opposition to stock exchange securities as the securities against which a rediscount could be obtained was thought of by the lawmakers as a way in which Wall Street could be handicapped or penalized, but the economic reason was that such securities are not sufficiently liquid, no matter how ready a market they may command, to have a fixed position in the commercial banking scheme. Certainly farm loan bonds will never be better than railroad bonds and their recognition by the Federal reserve system does not stand as a demonstration of knowledge of the purposes of the Federal Reserve Act.

To the end that the farm land banks may, in any event, have money to lend, the bill provides that the Secretary of the Treasury make "advances or deposits for the temporary use of any Federal land bank." Such advances will call for two per cent. interest and will be secured by farm loan bonds or other collateral. The advances are limited to $6,000,000 in any fiscal year. This amendment was doubtless prompted by expediency. Its purpose is to head off propositions for still greater government aid.

Taken as a whole, the rural credits bill, which is promised speedy passage, is interesting and full of surprises. The fact that one of its announced purposes is "to furnish a market for United States bonds" must not be taken too seriously. This is another alternative. It is the alternative to having the bill declared unconstitutional.

The alternative of joint stock land banks stands as an inducement to private capital to form such institutions. There is no sentimentalism in the provision for the establishment of such banks and it is their establishment by men experienced in the making of farm loans which holds out the promise of success. The Farm Mortgage Bankers Association of America, whose members have outstanding farm mortgage loans to the amount of $500,000,000, have been giving particular study to this section and have made some suggestions for its amendment that are decidedly practical. Despite the efforts in the bill to discourage it the Federal land banks will have competition. The men who are engaged in the loaning of money on farm mortgage are not going out of business because of attempted monopoly by act of Congress. If the law is so devised that, instead of becoming competitors of the land banks, the farm loan men will become an integral part of the whole scheme of rural credits, success will be practically certain. In that event the farmers who desire to cooperate with one another will still be at liberty to do so and they can do so under favorable circumstances. It has not yet been demonstrated that the American farmer wishes to co-operate.

DYESTUFFS

Are the manufacturers of chemicals in this country producing the dyes required by the textile, paper and other industries and which formerly were imported from Germany?

William C. Redfield, Secretary of Commerce, asserts that there is no basis for anxiety and seeks to create the impression that within the nineteen months since the outbreak of the war Americans have mastered the art of making dyestuffs—the Europeans having taken only from forty to sixty years to build up the industry. This optimistic view of the dyestuff situation is presented in a report prepared by a Dr. T. N. Norton, special agent of the department. He gives the names and addresses of thirty-four concerns in the United States which, he states, are now making various dyes and colors; and informs the public that the output is nearly adequate to meet all needs and satisfactory in respect to quality.

Leaders in the clothing, woolen, hosiery and other industries, which have been greatly handicapped by the dyestuff famine, were puzzled by Dr. Norton's report because their understanding of the situation did not coincide with his—in fact, the two were irreconcilable. It was therefore decided to retain J. Merritt Matthews, a recognized chemist, to make an investigation. This he did. His report states that of the thirty-four concerns enumerated by Dr. Norton, only three are actually engaged in the making of dyes, that their output is decidedly limited and that their product is restricted to only a few colors.

Since the publication of the two reports both Norton and Matthews have been elected to the Ananias Club, but each refuses to be a fellow member of the other.

There is no apparent reason why Mr. Matthews, or the trade associations which employed him, should endeavor to misrepresent existing conditions. If what they say be true, why did the Department of Commerce issue the report?

INTERLOCKING BANK DIRECTORATES

A number of amendments to the Clayton Act designed to modify the inhibition against interlocking bank directorates are pending in Congress. The one that seems to meet general approval is that introduced by Mr. Gard in which it is provided:

> That nothing in this Act shall prohibit any officer, director or employee of any member bank, or a Class A director of a Federal reserve bank, from being an officer, director or employee of one or more other banks, banking associations or trust companies, whether organized under the laws of the United States or any state, if such other bank, banking association or trust company is not in substantial competition with such member bank. Nothing contained in this amendment shall impair the powers delegated to the Federal Reserve Board in section eleven of this Act to prosecute violations of the same.

The arguments in favor of the passage of this amendment are found in the discrimination against banks as compared with corporations engaged in commerce. As to the latter the law prohibits interlocking

> if such corporations are or shall have been theretofore, by virtue of their business or location of operation, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the anti-trust laws.

In view of the fact that the prohibition against interlocking directorates applies only to commercial corporations which are competitors, it is un-

fair that the prohibition should apply to interlocking bank directorates under other conditions.

The aim of the legislation was to guard against the presumed menace of the concentration of credit by large financial corporations controlled by a small number of men. The adoption of the amendment proposed would not impair the prohibitory effects of the statute. The law in its present form goes far beyond anything that Congress intended or that even an extravagant interpretation of the situation to be corrected demanded.

CUMULATIVE VOTING

Senator Pomerene, of Ohio, and Representative Stephens, of Mississippi, have introduced bills providing for the amendment of the National Bank Act so as to permit cumulative voting. Laws of this kind are in effect in thirteen states and there is no record of any particular correction of the injustices as the result of their operation. It is a theory, so far as banks are concerned, that the minority shareholder is discriminated against and that he should have a voice in the conduct of the concern in whose stock he has invested money. There is another theory that the representative of minority stockholders on a board of directors would necessarily be at odds with the representatives of the majority stockholders. There are apparently no rules on which to base a decision in either case. There are plenty of majority stockholders who are at odds with each other and, if cumulative voting becomes legally permissible, there will be plenty of minority representatives who will be men of sense and find it to their advantage to work harmoniously with their fellow directors for the good of the institution. It would be interesting to know what useful purpose is to be served by the proposed innovation.

TRUST POWERS

In January last the Federal Reserve Board announced that full powers to act as trustee, executor, administrator and registrar of stocks and bonds had been granted to several banks in Illinois. On December 23, 1915, the Supreme Court of Illinois decided that the exercise of such powers by national banks was in contravention of "state and local law."

In a circular letter of April 5, 1915, the Reserve Board announced that in acting on applications of national banks for trust powers, the board would take into consideration whether or not the exercise of such powers would be in contravention of state or local law. The circular continued:

> There are probably no states whose statutes, in terms, prohibit national banks from exercising these powers, and few which expressly authorize their exercise. The question under consideration, therefore, cannot be determined by ascertaining merely whether a state law specifically prohibits or specifically authorizes national banks to act as provided by section eleven (k). * * * In general, the board will grant permits in accordance with this section when the exercise of the power granted does not contravene the general policy of the state laws, as indicated by the statutes dealing with banking institutions and other corporations, and will refuse permits in those cases where such exercise would be clearly in contravention of the general policy of such state laws.

The applications in the case of the Illinois banks mentioned were made nearly a year ago and the issuing of the permits, after the decision of the Illinois Supreme Court, was doubtless an oversight. No harm will result, for the simple reason that the state authorities of Illinois will not issue the necessary licenses. But the Reserve Board should be very sure of its ground before it issues such permits. The effects of the illegal exercise of trust company powers by a national bank is fraught with grave consequences and there should be assurance before the permits are granted that the exercise of such powers is not in contravention of state law. In the opinion of the Supreme Court of Illinois occurs this paragraph:

> The right of a national bank to act as trustee, etc., as conferred by the Federal Reserve Act was made elective with the banks. This feature of the Act would preclude the conclusion that Congress deemed it necessary, on any ground, that national banks possess the power to act as trustees, executors, administrators or registrars of stock and bonds. If it had, it is evident it would not have made the Act elective and permissive. National banks without the power to act as trustees, etc., have efficiently served the governmental purposes for which they were primarily created, and it not being shown such added powers are now necessary to the further success of such purposes, and we being of the opinion that the powers attempted to be conferred by Congress belong strictly to the states, we think the Act, in so far as it attempted to confer such powers upon national banks, is unconstitutional and void.

It seems also to be the opinion of the Supreme Court of the United States that the decision

of a state court upon the construction of a state statute is binding upon it.

With a case of similar import and with local conditions much more unfavorable to the securing of a reversal of the decision of the Illinois Supreme Court, the Reserve Board has recently conferred upon a national bank in Port Huron, Mich., the rights outlined in section eleven (k).

SAVINGS BANK PUBLICITY

The bank commissioners of New Hampshire have forbidden the savings banks of that state, which are mutual institutions, to advertise. This decision was made in the presumable conviction that the first duty of a mutual savings bank is to its depositors and that an expenditure of money for the purpose of increasing its business must necessarily result in an impairment of the financial power of the institution.

Unquestionably the safeguarding of the money of the depositors and the prevention of its expenditure for unnecessary purposes is commendable, but the bank commissioners of New Hampshire seem to have lost sight of the fact that the fundamental purpose of the law which creates savings institutions is the encouragement of thrift. Just how this principle is to be given application unless the banks resort to some means of publicity whereby the advantages that result from having a savings account are made known is not clear. Whether a savings institution is mutual or not, it is not discharging its full duty to the public unless it is using every means to encourage saving.

PREPAREDNESS

"Preparedness and efficiency," says the report of the Federal Reserve Board, "have, indeed, been the important elements in the board's policy, and this policy, together with the disturbed conditions abroad which have prevented the reserve banks from engaging in certain classes of operations open to them under the Act, have naturally limited the scope of the operation for the first year of their existence."

It is presumably in accordance with this policy of preparedness that Governor Strong of the New York Federal Reserve Bank has gone to Europe. It will be in accordance with the same policy that Paul M. Warburg will go to South America as a member of the International High Commission on trade relations among American countries. The question of branch banks in foreign lands, of agencies of the Federal reserve banks and of investment in foreign bankers' bills and other quick assets customarily dealt in by banks abroad form interesting subjects for study. The development of the reserve system through its own banks and through member banks is a matter of more than passing importance in times when the question of foreign trade is engaging so much attention and when the necessity for conserving and protecting the financial resources of the United States is an element of such great importance in the scheme of what the Reserve Board aptly terms "preparedness and efficiency."—A. D. W.

INTEREST RATES

To the Editor: St. Louis, February 22.

Deposit liabilities in our banks are rapidly increasing, in many instances to totals not hitherto experienced. This fact, rendered more acute by $450,000,000 imports of unneeded gold and a like amount of released reserves under the Reserve Act, together with the rate rulings of the Reserve Board as to discounts, acceptances, commodity and trade paper, has its sequence in unprofitable rates.

Against these demand liabilities banks carry prime paper as their chief source of liquid protection and high-grade bonds as a secondary reserve. Conservatism places its limitation upon these two outlets, and in order to live the banks are forced to employ their funds in these two fields at the market rates.

Today prime paper rules at three per cent. and high-grade bonds are selling in a peak market. So long as the banks continue to pay two per cent. to three per cent. on demand bank balances and two and one-half per cent. to four per cent. on other deposits, just so long must their funds be placed into revenue activity at prevailing lending rates.

The time-tested conservatism of our bankers calls for the reduction of interest rates paid on all deposits and the *raising* of reserve bank discount rates. This joint action would effect a closer discrimination in extending credit.

Moreover, this imported gold should not be permitted as a basis of credit under any circumstances for the greater part must either go back to Europe or we must go out of business with Europe.

CARY NELSON WEISIGER, JR.

Proposal to Retire the Greenbacks Finds Favor in Current Discussion

Newspaper Comment on Proposal Made by American Bankers Association—Political Reasons May Hinder Action by Congress—An Echo From the Greenbackers of the Early '80's.

IN an address before the Traffic Club in Newark, N. J., Walter M. Van Deusen, cashier of the National Newark Banking Co., discussed the retirement and cancellation of the "greenbacks" as an incident of preparedness. Under a broad definition of the term, preparedness involves much more than military and naval sufficiency. It includes, in addition to these two items, the necessary equipment for producing munitions, for moving troops and supplies of all the paraphernalia that pertain to and indicate manufacturing readiness. Financial equipment cannot be overlooked and in considering financial equipment the financial obligations of the government must be taken into account. The greenbacks are such an obligation. To the extent of their amount—$346,000,000—they diminish the credit of the government.

Greenbacks are a fair-weather form of money. In times of peace and prosperity they rest lightly as an obligation upon the government. Their evil attributes become conspicuous in time of stress. When the government's credit is most in need of support the greenbacks always appear to cause trouble and to render more difficult the work of giving the government's credit free play. In the long period of depression following 1893 the greenbacks were a source of constant annoyance. It was necessary to give attention to them when other fiscal matters were in a serious enough condition to engage all the time and test the ingenuity of the administration in power. Mr. Van Deusen was correct in giving the greenbacks a place in the discussion of any plan of preparedness for national defense.

"A Dangerous Element"

In the discussion that followed the proposal made by the Executive Committee of the National Bank Section of the American Bankers Association—which was indorsed and supported by the Committee on Federal Legislation—the newspapers commented freely on the plan. The Portland (Maine) *Press* classed the greenbacks as "a dangerous element" in the currency and said they should be retired from circulation. This paper said further: "The greenbacks which are merely a promise of the government to pay the face of the same, have been kept in circulation as a sop to those who have clung to the now exploded idea that the government has only to stamp a piece of paper money to make it money. At one time the fiat money idea had plenty of supporters in this country and a party called the Greenback Party was formed to promote the execution of the idea. * * * With the disappearance of the Greenback Party there remained a few greenbackers and in order not to have any hard feeling Congress agreed to keep a certain amount of greenbacks in circulation just as it agreed to coin a certain amount of silver and stamp upon it a valuation higher than it would bring in the market."

Protest from the Greenbackers

The Kansas City *Times* says that "the old greenbackers who fought so persistently and successfully in the seventies to keep this form of currency in use may be expected to voice their indignation over the proposition, and all that class who want plenty of money in circulation, without much consideration as to what makes money valuable and safe, will protest. These hostile influences are likely to prevent serious attention being given now or in the near future to the proposal to retire greenbacks.

"Nevertheless their retirement and cancellation fits into the general scheme for improving the currency system, which has as its basis the Federal Reserve Act, which in the judgment of many students of currency looks to the ultimate substitution of Federal reserve notes for all other forms of currency. * * *

"If the Federal reserve system is carried to its legitimate evolution, the Federal reserve banks ultimately will become the depositories of all the gold and silver now held in the treasury against outstanding gold and silver certificates, and Federal reserve notes will be gradually substituted for them so that the country will have only one form of paper currency.

"At present seven forms of paper currency are in use; greenbacks, gold certificates, silver certificates, treasury notes, national bank notes, Federal reserve notes and Federal reserve bank notes. All of them should be gradually displaced by Federal reserve notes, secured by gold on the soundest of credit and backed by the Government."

Intrenched in Political Expediency

The *New York World* says that if contraction of the currency is needed the more speedy retirement of the national bank notes "provides an easy and undisturbing way." The *World* further says: "The greenbacks are now strongly bottomed on gold and have become an integral part of the country's permanent money volume. Their retirement is as politically impossible at present as it ever has been. The national bank notes, on the other hand, are now recognized by law as a back number, and their slow conversion into flexible Federal reserve notes is provided for. That conversion can be and perhaps should be quickened under the extraordinary circumstances existing."

If the retirement of the greenbacks involves the issuance of approximately $200,000,000 of bonds, it is to be

remembered that the bonds will represent only another form of Government obligation. If the interest on such a bond issue has set off against it the expense of printing and reissuing the greenbacks and account is taken of what they have cost the Government it will be found that the cancellation of these notes is real economy. If it is true, and it probably is, that bonds without the circulation privilege would either sell below par or carry a higher interest rate than 2 per cent., then it is also true that the retirement of the bond-secured bank notes is a matter of as great difficulty and involves as large an item of expense as the retirement of the greenbacks.

The president of a New York bank is quoted in the *Journal of Commerce* thus:

"All friends of sound currency are anxious that the greenbacks be eliminated from our system. There is no question that these notes are the one weakness in our system. The amount is comparatively small and theoretically there is no reason why we should not get rid of these notes."

Our Future Lending Power

That the greenbacks have an influence on the credit of the nation may be seen in all the plans and precautions that are being taken by the Federal Reserve Board to safeguard the financial position of the country. In a recent address Paul M. Warburg said: "We must take the utmost care not to destroy at this time the basis of our future lending power. Whatever foreign loans we may make during the war ought to be of reasonably short maturity, so that we may keep control of our gold in case we should later wish to have it at our call. That will give us a strategic position at the end of the war so strong that we shall be able effectively to face the various duties that will confront us, not only toward our own country, but also toward the world at large." It is impossible to consider the situation outlined by Mr. Warburg without regarding the greenbacks as an element of weakness and as a handicap in securing the strategic position he mentions.

Nation's Loss Over a Billion

The New York *Evening Post* says: "In indirect damage, the existence of the greenbacks has doubtless caused a loss to the nation of far more than $1,000,000,000; they are an anomalous element in our currency system, have been a source of acute danger in the past, and will present, so long as they are kept in existence, an invitation to demagogues and ignoramuses, at any time of trouble to propose an increase of the volume of the currency by the simple process of printing additional greenbacks."

The *Philadelphia Inquirer* says: "It is ridiculous to keep in circulation paper money for which there is no use. It prevents the reserve banks from acting as proper regulators of the currency to meet demands and it simply supplies funds for speculative purposes. It is doubtful if the recent speculation in 'war brides' could have been carried to such lengths if it had not been for this immense amount of money in circulation."

Present System Not Up to Expectation

"Of course the inflationist and such remnants as are left of the old greenback and silver elements will assail any such proposal, but they have been wrong in the past and they are wrong now. Our present banking system has failed to meet expectations because it can not act as intended. What the reserve banks were expected to do was to supply currency at any time it was demanded by legitimate business and facilities were ample. At present these banks are doing very little, although it may be admitted that no real test has been applied. But it seems the part of wisdom to prepare at this time for eventualities. We have a chance to get on a sound and unimpeachable financial basis and we ought not to neglect the opportunity."

The *Newark News* says that the plan to retire the greenbacks would be one step toward the simplification of the currency. "Issue is raised at this time," says the *News*, "because of the enormous volume of currency and gold in the country in excess of demands of trade. While it may be comparatively easy to expand the currency when required, through rediscounts of commercial paper by the reserve banks, the reverse process, that of retiring Federal reserve notes, while nominally provided for, is far from automatic."

Voices from the Middle Ages

In the course of the discussion there came to light two editorials of more than passing interest. Both indicate that there are still in existence newspaper writers who have not lived beyond 1880 and are as yet unaware of the difference between currency and money or between money and a promise to pay it. The Omaha *World-Herald*, of which Senator Hitchcock is the owner, says that "the American Banking Association is engaged in working up a scheme that will produce a hot time as soon as it becomes generally known." After speaking of the suggestion to retire the greenbacks and the probability that a bond issue would be an incident of the plan, the *World-Herald* says: "When the proposition is advanced to increase the public debt of this country $200,000,000 for the benefit of the national bankers, so they can substitute their own notes in place of the Government notes that draw no interest, there will be something doing all over the country. That same thing has been tried several times since the war and no Congress ever dared to pass such a bill and face the people.

"There may be many economic theories which demand the retirement of the greenbacks, but the people generally will hear the arguments in support of them with dull ears and insist that this money has been in circulation for over fifty years with no harm to anybody, and that to issue $200,000,000 of bonds on which interest must be paid to get rid of it when the Government is seeking to increase taxes to pay its running expenses is not to be tolerated."

The other editorial which comes as a voice from the dark ages was printed in the Washington *Post* under the caption "Financial and Political Dynamite." The views expressed in the *Post* were also expressed in the

Cincinnati *Enquirer*, which has the same ownership. These statements show the same intolerance of the suggestion that an end be put to the sacred greenback as does the *World-Herald*. The *Post* says:

"It surely seems that the Democratic candidates for senator or representative who have to go before the voters of this country next November will have burdens enough to carry for this administration without having this new financial load placed upon them.

"Will political parties never learn the truth that the voters of this country have more confidence in the national currency, the greenbacks, the notes issued directly by the Government, than they have in any other kind of paper currency?

"Do bankers believe that the people of the United States are oblivious to the fact that every time they get into financial straits they apply to the United States Treasury for relief?

"National banking systems, Federal reserve banking systems, are all good enough in their way, perform their part in the financial work of the country in their spheres quite creditably, taken as a whole, but it is not eighteen months since the national banks of this country, the banks largely responsible for the American Bankers Association, were calling for the emergency currency of Uncle Sam by the hundreds of millions of dollars to save them from moratoriums, such as the boasted European financial systems have been enjoying since August, 1914."

There is more of it with similar indifference to facts. It is iconoclastic almost to call attention to the fact that instead of the bankers running to Uncle Sam for emergency currency, the Secretary of the Treasury went to the bankers and that the emergency currency, instead of being Uncle Sam's greenbacks, was composed of bank notes and secured by bank assets. It is not surprising that the Omaha *World-Herald* was derelict, but it is surprising that the Washington *Post*, which has been uniformly sound in all its discussions of currency and banking, lapsed into medievalism. Perhaps the ironical compositor was on the job when the editorial Homer nodded.

McADOO READY TO RETIRE TWO PER CENTS

Secretary McAdoo has written the following letter to the Federal Reserve Board concerning the exchange of the 3 per cent. gold bonds and the one year gold notes for equal quantities of 2 per cent. bonds:

Under section eighteen of the Federal Reserve Act the Secretary of the Treasury may issue upon application of any Federal reserve bank approved by the Federal Reserve Board, in exchange for United States 2 per cent. gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one year gold notes of the United States without the circulation privilege to an amount not to exceed one-half of the 2 per cent. gold bonds so tendered for exchange and thirty year 3 per cent. gold bonds without the circulation privilege for the remainder of the 2 per cent. bonds so tendered; provided, that the Federal reserve bank obtaining the one year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one year notes, and each year thereafter, an amount equal to those delivered in exchange for such bonds if so requested by the secretary, such obligation to continue in force for a period not to exceed thirty years.

I am now prepared to issue upon application and approval as aforesaid thirty year 3 per cent. gold bonds and one year gold notes in exchange for United States 2 per cent. gold bonds bearing the circulation privilege, but against which no circulation is outstanding, of the face value of $30,000,000 during the year 1916 upon the making of satisfactory obligations by the Federal reserve banks in case of the issuance to them of one year gold notes. Until further ordered, I will issue such proportion of one year gold notes not exceeding one-half in amount of the bonds offered for conversion, as the banks may apply for, provided that in each instance the proportion applied for by the banks is approved by the Federal Reserve Board.

Such conversions will be made quarterly on the first days of January, April, July and October, which dates correspond to the interest periods for the 2 per cent. consols of 1930, and applications must have been received prior to such dates in order to have the exchanges made. The bonds and notes are now in the hands of the Bureau of Engraving and Printing and in the event they are not ready for delivery when conversions are effected temporary forms of bonds and notes will be issued, which may later be exchanged for the permanent securities.

LATIN AMERICAN CREDITS TO BE MODIFIED

Herbert J. Browne, a Washington economist, who has just completed a trip to Central America, is reported as saying that the European war will result in the abolition of nine- to twelve-month credits to Latin-American merchants. Mr. Browne explained that the long credit terms enjoyed by South American merchants was a result of the sharp competition between the British and German companies which operated in that field. The war has put a stop to this competition and a change in credit customs has already begun. Mr. Browne reports that many of the European concerns have suffered heavy losses as the result of the long credit practices. The change in this custom, he thinks, will simplify the entrance of American business men into this field and the extension of the branch banking system will also be of material assistance.

What American Business Men and Government Are Doing to Take Advantage of the European War

A Comprehensive Survey of Practical, Financial and Commercial Aspects—Chief Features Comprise Increase in Exports, Expansion of Banking Resources and Gold Holdings, International Financing, Expansion in Ocean Shipping, Increased Cost of Living, Higher Wages and Higher Prices for Farm Products.

By I. NEWTON HOFFMANN

VIEWING the European War from practical, financial and commercial aspects in relation to the United States, several interesting questions suggest themselves. First, in what respects have our farmers, laborers, manufacturers, bankers, railroads and shipping companies benefited by the demoralization of commerce and industry existing in belligerent countries; second, in what respects have American interests suffered by reason of the war; and, finally, to what extent, if any, has the Government of the United States aided the commercial and shipping interests of the country in their efforts to take legitimate advantage and seek gain from the misfortunes of European nations?

In other words, it is now opportune to take inventory of the principal changes that have taken place in the United States during the past nineteen months as a direct result of the war.

Consideration and appraisal of the part the government has played is especially timely because of the attention the discussion of European politics has directed to the co-operation that obtains in the case of some of the foreign countries, where business enterprises are encouraged, nurtured and safeguarded by governments.

The Chief Features

What are then the chief features of the changes in American business affairs that have taken place since the outbreak of the war and because of it?

First, the large increase in our exports, consisting chiefly of munitions and foodstuffs, sold and shipped to belligerent governments, for the use of their armies and navies.

Second, expansion of our banking resources and gold holdings, due in a large measure to the great increase in a favorable trade balance by reason of the unprecedentedly high export movement; and to the transfer of bank deposits by banks and individuals of foreign countries.

Third, steps taken in the line of international finance due to the financial necessities of the belligerents and the inability of banks in Great Britain and other countries to supply the demands for money in smaller countries, such as South American republics and the Dominion of Canada.

Fourth, expansion in ocean shipping and ship-building, due to the scarcity of ships resulting from the internment, destruction or naval requisition of a large foreign tonnage.

Fifth, large increases made in wages, the same being forced upon employers by reason of the urgency of prompt deliveries of war supplies and the actual and threatened strikes occurring in many sections of the country, especially in localities where munition plants are situated. Workmen having heard of the tremendous profits made by manufacturers insisted that they, also, be permitted to share in the "war business."

Sixth, the shipping of all kinds of war supplies, originating in various parts of the country, has furnished the railroads with heavy traffic, as is manifested by the reduction of the number of idle freight cars and the many embargoes the carriers have been obliged to impose in an effort to relieve congestion at various points.

Seventh, farmers who raise grain and live stock have profited from higher prices resulting from heavy export demands for wheat, corn, barley and oats, and the purchase of meats, mules and horses by the foreign governments. On the other hand, growers of cotton have been deprived of some of their export markets, but the heavy losses that would have otherwise been sustained from a lack of buyers and resultant declining prices have been mitigated by decreased production.

And eighth, the European War has not been without its disadvantages to America. It is responsible for much higher prices in the case of many articles, both of domestic manufacture and foreign production, and it has retarded exports and imports in many lines of trade because of high ocean freight rates, marine and war risk insurance. Chief among the inconveniences suffered has been the shortage of certain articles, the sole center of supply of which is in Germany. Colors, dye-stuffs and drugs come under this heading.

Increase in Exports

The total exports of merchandise for the year ending December 31, 1915, amounted to $3,547,480,000, which is an increase of $1,433,856,000 compared with 1914 (half of which period was war time), and an increase of $1,063,462,000 compared with 1913, a normal year prior to the war. The imports of merchandise for the past year amounted to $1,778,596,000, a decrease of about $10,680,000 compared with 1914 and a decrease of $14,000,000 compared with 1913. The table on the following page presents these figures in detail.

Exports of Merchandise

	1915	1914	1913
Europe	$2,565,660,269	$1,339,295,916	$1,499,573,363
North America	557,794,018	481,588,221	601,176,159
South America	145,338,862	91,013,339	146,514,635
Asia	150,034,043	99,193,210	126,122,651
Oceania	91,439,976	77,209,541	81,702,676
Africa	37,213,204	25,323,823	28,928,808
Total	$3,547,480,372	$2,113,624,050	$2,484,018,292

Imports of Merchandise

	1915	1914	1913
Europe	$546,352,567	$783,517,509	$864,666,103
North America	509,458,281	441,400,758	389,814,744
South America	322,282,189	229,520,375	198,250,005
Asia	305,523,891	266,864,028	281,407,363
Oceania	60,341,276	48,312,360	34,719,505
Africa	34,638,491	19,660,971	23,729,760
Total	$1,778,596,695	$1,789,276,001	$1,792,596,480

Exports by Countries

	1915	1914	1913
Denmark	$73,114,753	$41,945,344	$18,617,058
France	499,944,446	170,104,041	153,922,526
Germany	11,788,852	158,294,986	351,930,541
Italy	270,668,448	97,932,200	78,675,043
Netherlands	143,101,046	100,743,893	121,552,038
Norway	46,871,914	19,635,207	9,255,868
Russia in Europe	124,663,056	22,260,062	25,925,351
Spain	45,712,581	27,815,504	30,773,476
Sweden	84,806,759	30,961,285	15,586,596
United Kingdom	1,191,569,781	599,812,295	590,732,398
Canada	344,988,827	310,616,232	403,191,392
Cuba	95,113,652	67,877,382	73,238,834
Argentina	52,883,035	27,127,958	54,980,415
Russia in Asia	44,436,875	5,696,275	944,356

Expansion in Banking Resources

The expansion of the country's banking resources is best indicated by the statement of the Comptroller of the Currency compiled from reports of national banks showing their condition on December 31, 1915. He places the aggregate resources of the 7,607 institutions at $13,467,000,000, an increase since December 31, 1914, of $2,110,000,000. The increase in deposits during the twelve months was $2,163,000,000, the total being $10,379,000,000. Loans and discounts increased, as compared with a year ago, $1,010,000,000. The national banks increased their holdings of specie during the twelve months by $154,000,000, notwithstanding the increase of gold holdings by the Federal reserve banks.

The stock of gold in the country has largely increased since the war, and the total now is approximately $2,000,000,000 dollars. For the year 1915 the excess of gold imports over exports amounted to about $420,000,000.

The following table gives the imports and exports of gold and silver for the past three years:

	Imports	Exports		Excess
1913	$63,704,832	$91,798,610	Exp.	$28,093,778
1914	57,387,741	222,616,156	Exp.	165,228,415
1915	451,954,590	31,425,918	Imp.	420,528,672
Total 3 years	$573,047,163	$345,840,684	Imp.	$227,206,479

The entrance of the United States in the field of international finance, and the assumption of the coveted position of "world banker," heretofore held by Great Britain, is illustrated by the extensive financing of belligerent governments, as well as by the large loans made to neutral countries and their municipalities. A full list of these loans, aggregating over $1,000,000,000, was given in the December issue (page 494) of the JOURNAL-BULLETIN, only comparatively few additional transactions having been made since the compilation of the data there presented.

The establishment of branches in foreign countries by the National City Bank is too well known, and calls for no comment here.

Shipping and Ship-Building

The American merchant marine, according to the latest report of the United States Commissioner of Navigation, consists of 26,701 vessels of 8,389,429 gross tons. These figures are as of June 30, 1915, and compared with statistics for the previous year show an increase of 460,741 tons, an increase never before equalled in the history of the country. Of the 26,701 vessels, 2,794 were registered in the foreign trade, an increase of 389 vessels compared with a year ago.

All the shipyards have been and are working full capacity in an effort to supply the great demand for vessels. The shortage of tonnage has been so pressing, especially in view of the heavy export movement, that many a discarded tramp steamer has been put into service.

Reports received by the Department of Commerce from various shipyards in the United States, as of February 1, 1916, show that there are being constructed 230 merchant vessels of over 900,000 gross tons, and sixty-eight government vessels of nearly 200,000 gross tons. The same report states that thirty-nine vessels of about 92,000 tons have been completed since July 1, 1915, for the merchant service.

Shipbuilding has been somewhat hampered by the inability of constructors to obtain prompt deliveries of plate steel, the mills being so actively engaged in the production of war munitions for the warring nations. The prices of material have greatly advanced owing to the unusually large demands for steel products. Ship plates are now at the highest price level ever known, namely, 3.25 cents per pound.

The scarcity of ships and the large demand for freight space has caused important advances in ocean freight rates. The following table gives the comparative rates to Liverpool before and since the outbreak of the war:

	Aug. 1, 1914	Aug 1, 1915	Oct. 1, 1915	Dec. 1, 1915	Jan. 1, 1916	Feb. 26, 1916
Grain, bush	2¾d	10¾d	18d	19d	20d	25d
Flour, sks., 100 lbs	12c	45c	65c	75c	80c	90c
Provisions, ton	20s	60s	*80c	90c	90c	125c
Cotton, 100 lbs	20c	100c	125c	150c	200c	250c
Measurem't g'ds, ton	17s	60s	*32c	47c	47c	63c

*Per 100 pounds

Export Demand Boosts Prices

Responding to the law of supply and demand, the expansion of the export trade in general articles of merchandise, such as foodstuffs, wearing apparel and drugs, as well as crude products, such as copper, steel and rubber, there has been a considerable advance in prices in the United States; and no doubt the increase in the cost of living may be properly ascribed to the European War.

A notable exception, however, appears in the case of cotton. While, in 1913, a normal year, the price of middling cotton fluctuated between 14.50 and 11.70 cents per pound, since the war quotations have been as low as 7.25 cents. The highest level reached in 1915 was 12.75 cents. Growers in the South have been unable to make shipments to Germany and Austria, and as a result, the annual exports of cotton, which in previous years totalled in the neighborhood of $600,000,000, dropped to $343,900,000 in the twelve months of 1914—the war having broken out in the middle of that year—and to $417,000,000 in the twelve months of 1915.

The following table gives the quantities and values of cotton exports for the last three years:

1913....................	8,609,588	Bales	$575,495,653
1914....................	6,320,485	"	343,904,905
1915....................	8,358,992	"	417,013,008

Dyestuff Situation

Probably the most serious effect of the blocking of ocean traffic with Germany has been the cutting off of imports of dyestuffs and aniline colors from the empire of the Kaiser. American manufacturers of textiles, paper and other products have been absolutely dependent upon Germany for their supplies of dyeing material, and while some colors have always been produced here and are now being manufactured in larger quantities, the fact remains that in quality and fastness of color American dyes do not approach the German product.

The seriousness of this shortage is indicated by the general announcement recently issued by the association of clothiers and other business organizations to the effect that manufacturers would not guarantee the color of clothes sold to the public.

The dyestuff situation has prompted experimentation in this country and many new corporations have been started with the avowed purpose of supplying the dyes which formerly were imported from Germany. Only partial success has been met so far, but the makers of dyes are already clamoring for tariff protection against the invasion of German dyes after the war. It appears that more attention is being directed to tariff protection than to the effort of perfecting processes so as to make the American product the equal of the German. Only in the event that it is conclusively demonstrated that the American colors are at least "just as good" will the more reliable manufacturers of textiles use them to the exclusion of the German, tariff or no tariff.

The Federal Government, through Secretary Redfield, of the Department of Commerce, and his assistants, notably a special agent named Dr. Norton, has in a vociferous manner attempted to convince American users of dyes that there was no reason to feel anxiety regarding a dyestuff "famine," inasmuch as domestic interests were now producing the requisite colors. In support of his assertion that needed dyes were forthcoming both in appreciable quantities and satisfactory qualities, Dr. Norton has written a monograph, published by the government printing office, in which he gives the names of some thirty-four concerns which he claims are now manufacturing dyestuffs.

An investigation conducted by a large group of business associations established the fact that while a large number of corporations had been chartered for the purpose of engaging in the manufacture of dyes, many of the concerns mentioned in his list were companies on paper only, and furthermore, that a number of those listed did not produce any dyes at all. The sum and substance of the investigation showed that there are only three companies in the United States which are turning out dyestuffs, that the quantities produced are relatively small, and that the colors produced are chiefly black.

Legislative Enactments

A number of important legislative enactments having a bearing upon business and finance have gone into operation since the outbreak of the European War. The principal measures are: The Federal Reserve Act, the War Revenue Emergency Law, the Federal Trade Commission Law and the Clayton Amendments to the Antitrust Law (among them the provision prohibiting interlocking bank directorates); the Ship Registry Act, the La Follette Seamen's Act, the War Risk Insurance measure and the United States Cotton Futures Act.

The banking and currency legislation, admittedly an excellent piece of constructive work, became operative insofar as the establishment of the twelve reserve banks was concerned, too late to be of any assistance to the banks of the country at the commencement of the war when money was scarce, and when a panicky condition prevailed in New York and other financial centers. The Act did prove itself of service to the extent that it provided for the extension, by one year, of the life of the Aldrich-Vreeland Act.

In the crisis, the banks helped themselves by resorting to the old practice of issuing clearing house certificates and by the organization of emergency currency associations. The latter promptly applied to the Secretary of the Treasury and the Comptroller for the issue of emergency notes, which these officers had to issue under the terms of the Act, the formalities respecting the deposit of satisfactory collateral having been complied with.

Credit for Emergency Measures

Although Secretary McAdoo has sought, in his official reports, to bestow upon himself credit for the handling of the serious situation which obtained during the first few months of the war, the fact of the matter is that the credit and praise properly belong to the bankers and not to any government official. The actions taken by the Secretary were those made mandatory by law; and none were of a character depending

upon the exercise of discretionary powers, such as the deposit of government funds with national banks—a measure taken by Secretary of the Treasury Cortelyou during the panic of 1907.

The creation of the gold fund, used to meet maturing payments abroad, although discussed in Washington was the work of a committee of bankers representative of the principal financial centers of the country. The cotton loan committee, which proved a fiasco, was organized by the bankers rather reluctantly, but because of the insistence of the Secretary whose display of enthusiasm concerning it was no doubt due to political considerations.

The War Revenue Tax was made necessary by declining revenues from duties on imports; the decreases being especially pronounced at the beginning of the war when the disorganization of ocean-shipping prevented goods being sent to this country. The necessity of the war revenue tax, although officially ascribed to the war, was no doubt due to the Simmons-Underwood Tariff Act, and the faulty treasury calculations regarding the probable revenue that would be derived therefrom. Experience has shown that the yield from the reduced rates of duty and the Federal Income Tax was insufficient for government expenditures.

It is rather an anomalous situation that the people of the United States should be taxed on account of a war in which they are not participants, but which is furnishing this country with business which it would not have had in the event that peace prevailed.

The Federal Trade Commission has not as yet done any constructive work, its efforts having been principally devoted to matters of research designed to collect information and statistics regarding trade and industry not heretofore compiled. The chairman of the Commission has made numerous addresses regarding trade conditions after the war, and has announced that the Commission favored amending the anti-trust laws in respect to combinations in pursuit of foreign trade in the event it was shown that such amendment is absolutely necessary in order that the United States secure a larger portion of the world's business.

Clayton Act Makes Trouble

The Clayton Law, section 8 of which prohibits interlocking bank directorates, has already brought about disturbances in the management of many banking institutions, notwithstanding the fact that it does not become operative until October 15. Criticism of the prohibition is widespread, especially in the smaller cities where objection is raised to a law which deprives small banks of the services of experienced bank officers of larger institutions, who will be compelled to resign from their boards of directors if the Act is not amended within the next seven months.

The Ship Registry Act of August 18, 1914, permitting the admission to American registry of ships built in foreign countries and formerly owned by persons not citizens of the United States was an exceedingly beneficial piece of legislation—the best that Congress has ever enacted in the interest of American shipping. Under this Act there has been a transfer of registry up to March 1, 1916, of a total of 175 vessels of 593,046 gross tons.

The full advantage of the law was not availed of, however, because its passage was soon followed by the enactment of the ill-advised Seamen's Act, framed in the interest of seamen's unions. Its requirements are so drastic in respect to the personnel of crews that a number of American ship owners have deemed it advisable to dispose of their vessels and to retire from business—and this at a time when the world's demand for ships is greater than ever before, and when many foreign vessels formerly operating in various services are interned or requisitioned by their respective governments. The Seamen's Act has dealt a severe blow to American shipping at a most critical moment, at a time when unusual opportunities for upbuilding an American merchant marine were presented.

The War Risk Insurance written by the government during the first year of the operation of the law amounted to about $83,000,000. Premiums amounting to $2,020,000 were received, which, plus salvage and minus losses and expenses, shows a total excess of receipts over expenditures of $1,306,500. During this period, 1,245 policies were written.

The United States Cotton Futures Act, although on the whole a good law, has operated to restrict exports and has taken away from American shippers the machinery for "hedging" against sales in Liverpool, the market nearest the point of delivery. This prohibition against hedging in foreign markets is a vital defect in the law and has caused considerable trouble and financial loss, inasmuch as a hedge in a foreign market takes into consideration fluctuations in freight rates and insurance, while these factors do not enter into the quotations made on the New York or New Orleans cotton exchanges.

The Administration's Proposals

In addition to the laws briefly described, the Administration has been active in the advocacy of a shipping bill, under the provisions of which the government is permitted to enter into the shipping business in competition with private interests. This measure is being strongly opposed by business men and steamship owners all over the country. According to Secretary McAdoo and Secretary Redfield, the government is endeavoring to engage in the shipping business because private interests and private capital have refused to build up a merchant marine which, it is asserted, is so essential for a wider distribution of American products in foreign countries. Where the government is to obtain the ships is not stated, nor is any explanation furnished as to how a government can operate steamers at less cost than private individuals. The fact of the matter is that American citizens have not made heavier investments in American shipping because of the very restrictive and obsolete navigation laws—laws which can only be altered by Congress. Instead of improving conditions by the right kind of legislation, Congress has gone from bad to worse in the enactment of La Follette's Seamen's Act

which has, more than anything else, helped to remove the American flag from the Atlantic and Pacific Oceans.

Last year the Administration's shipping bill failed to pass because of its rejection by the Senate. A similar bill has recently been introduced in the guise of a naval auxiliary measure in the hope that the "preparedness" craze might help to push it through.

Aside from the enactment of proposed legislation, a great amount of talk has been indulged in by Cabinet officers and government officials of lower rank regarding plans for "conquering the world's markets," and various suggestions have been advanced concerning legislation which might be necessary to take care of this or that situation which may arise during the course of the war or after its cessation. Tariff provisions, calculated to prevent "dumping" of cheap merchandise made by European cripples, has been one of the favorite themes.

While these government officials are doing an immense amount of talking, business men in various lines of industry are going right ahead minding their own affairs and seeking to enlarge their output and their sales wherever they see an opportunity to do so. A very large number of new enterprises have been started all over the country, some of which are concerned in the manufacture of war munitions, while others are bent upon the sale of staple goods for export to Europe, to the Far East and to South American republics.

Among the many new organizations that have been formed, mention may be made of the American International Corporation, capitalized at $50,000,000. There have also been organized a number of new shipping and ship-building companies, the most recent being the Gaston, Williams and Wigmore Steamship Company, capitalized at $5,000,000. The International Corporation, whose directorate is composed of the most prominent financial, industrial and railroad men in the country, was organized by interests identified with the National City Bank of New York, the largest bank in the United States; while the Gaston, Williams & Wigmore organization, which has built up an exceptionally large export business since the outbreak of the war, has the financial backing of the Guaranty Trust Company of New York, the largest bank in the country operating under a state charter.

These two corporations, like all others, are not relying upon, expecting, or asking government aid. Their only desire is to be let alone.

ROBERT MORRIS CLUB DISCUSSES CREDIT

The movement for a closer co-operation and a better interchange of credit opinions by bank credit departments received a distinct impetus at the mid-winter meeting of the Robert Morris Club of the Credit Men's Association, which was held at Detroit, February 10 and 11. The club is composed of representatives of financial institutions belonging to the National Association of Credit Men and was organized at Salt Lake City last June. The Detroit conference was marked by a profitable interchange of ideas on the subject of credits and some interesting resolutions were adopted, among others the following:

"It being the sense of this meeting that a campaign of education should be carried on toward the more general securing of statements of borrowers made by certified public accountants and also the possible future registration of commercial paper, be it now

"*Resolved*, That the president of the Robert Morris Club appoint a committee of three to confer with the proper committee of the American Bankers Association on the subject of audited statements and commercial paper registration."

On the general subject of credit department ethics and credit department methods, these resolutions were adopted:

Resolved, The first and cardinal principle of credit investigation is the sacredness of the replies and any violation of this principle places the violator beyond the pale of consideration of the honest credit man.

Resolved, Every letter of inquiry should indicate in some definite and conspicuous manner the object of that inquiry.

Resolved, When more than one inquiry on the same subject is simultaneously sent to the banks in the same city, the fact should be plainly set forth in the inquiries.

Resolved, Individual consideration by the recipient of a credit inquiry of the distinguishing marks therein will increase the efficiency of credit investigation.

Resolved, Indiscriminate revision of files regardless of the presence of the note in the market is unnecessary, wasteful and undesirable.

Resolved, That it is the sense of this conference that the continued observance of high ethical principles in the conduct of credit departments of banks and banking institutions insures the best results and co-operation in safeguarding banking credits.

Resolved, It is not permissible nor the part of good faith in soliciting accounts from a competitor to seek information from the competitor without frankly stating the object of the inquiry.

Resolved, That it is the sense of this meeting that in answering inquiries the source of the information should not be disclosed without permission and that letters written in answer to inquiries should be held inviolable by the recipients.

Resolved, That in seeking information the name of the inquirer in whose behalf the reference is made should not be disclosed without permission.

Resolved, That in answering inquiries it is advisable to disclose all material facts bearing on the credit of the borrower to the end that paper offered in the open market be of the same description as that held by the borrower's own bank.

The officers of the Robert Morris Club are: president, James K. Calhoun, Corn Exchange National Bank of Chicago; vice-president, A. F. Maxwell, National Bank of Commerce in New York; secretary-treasurer, Alexander Wall, First National Bank of Milwaukee.

Unique Frauds Against the Treasury and How Experts Try to Prevent Them

The Currency Redemption Division a Favorite Object of Attack by Dishonest Persons Who Fabricate Ingenious Stories to Swindle the Government—Some Interesting Cases in Point.

SOME political cynic has observed that the average congressman can evolve more novel schemes for raiding the United States Treasury than any other type of American citizen. This may or may not be true, but whether or no, one is forced to regret that some means is not available for preventing congressional frauds against the treasury as efficacious as the means by which attempted frauds against the currency redemption fund are prevented. Of all the close cropped ideas evolved by clever crooks to enable them to delve into the great storehouse of government funds none are more intricate nor interesting than those directed against the redemption fund.

Of course every banker knows that the Treasury Department redeems all mutilated currency so long as it is recognizable and that whenever ample proof can be given of the destruction of currency by fire or otherwise, new currency is given in place of that destroyed. A corps of experts, some twenty or more in number, is maintained at the Treasury Department to pass upon these applications for new currency in place of old. Perhaps the most valuable expert in the whole division is a little gray-haired woman, Mrs. A. E. Brown, whose memory runs back over forty years of government service and who can recall practically all of the currency redemption frauds that have been detected since the greenbacks were issued.

Mrs. Brown is a refined lady of sixty-five years of age, whose genteel appearance suggests nothing of her acuteness in ferreting out frauds nor her consequent familiarity with the ways of crooks. She is said to be the world's greatest expert on burned, mutilated or otherwise unrecognizable paper money. Perhaps it is her knowledge of human nature that has made her such a success in the work of the currency redemption division.

A Farmer Boy's Clever Story

It was this quality, I am sure, which enabled her to see through the very likely story put up by a farmer's lad in Pennsylvania some dozen years ago. The farmer boy sent to the Treasury Department a spool cotton box containing a considerable number of scraps of currency, which he said represented all that remained of $250 of savings. His affidavit accompanying the currency told the story of his loss as follows:

The money had been concealed in a small bag which the lad had hidden in his father's corn barn. A short time before the communication reached the Treasury Department, the disappearance of the bag and the currency from its place of concealment had been discovered. The owner had suspected theft at first, but later had found the bits of paper money which he had forwarded to the Treasury Department, woven into a rat's nest which he uncovered in the corn.

The story bore all the earmarks of good faith, but Mrs. Brown was cynical from long experience with just such clever explanations. She discovered upon close examination of the bits of currency that all of them were taken from the borders of bills and that not a single one but could have been clipped from a bill without mutilating it importantly. That was almost a *prima facie* case against the applicant, but Mrs. Brown went further than that. She discovered that one of the bits of currency was taken from a national bank note of a certain number. She proceeded to look up the history of that note. Her investigation developed that the note had been issued by the Treasury Department a month later than the date on which the Pennsylvania farmer's lad claimed to have concealed his savings in his father's corn barn.

A Tale That Proved a Boomerang

One day last fall there arrived at the Treasury Department a little packet of finely granulated bits of currency, which had been forwarded by a citizen of Cleveland, Ohio. It was accompanied by an affidavit which set forth that the currency scraps composed all that remained of $232, which had been destroyed by rats. The affidavit went into great detail as to the manner in which the loss had been brought about. It related that the owner had kept the larger part of his savings concealed in a bag of waste rags on the first floor of his dwelling, while a part of it, which he drew upon for current expenses, was concealed in a bureau drawer on the second floor. The owner reported that he discovered the loss of both sums at the same time. A few of the currency scraps which he forwarded to the Treasury he said had been discovered near a rat hole on the second floor of his residence, while the others had been found in the rag heap on the first floor. The currency redemption division expert was amazed to find that the bits of currency pieced together into a practically perfect one dollar bill. This was, of course, regarded as evidence sufficient to refute the man's claim to $232 of new bank notes and to justify prosecution, but the woman expert who handled the case was willing to go further and to swear that the money had not been chewed by rats at all. The United States Commissioner at Cleveland, before whom the case was heard, refused to admit this testimony, however, on the ground that no one was competent to swear as to whether a bit of currency had or had not been chewed by a rat. Some doubt existed, too, in the minds of the Government

officials as to the guilt of the Cleveland man, for it was ascertained that his wife had had access to the places where the money was concealed.

Mrs. Brown's energies are not devoted entirely to the detection of crime, however. She is equally as expert in establishing the character of charred bits of money and currency damaged in other ways, for which the owners are really entitled to reimbursement. An incident of this sort, which attracted attention about five years ago, resulted in the restoration to a distressed woman in Iowa of her lifetime savings. The woman had unwisely buried her roll of money in a tin can. When the remnants reached the Treasury Department the money had the appearance of a colorless pulp. Mrs. Brown was so successful in separating the decayed paper and piecing the bits together and deciphering the letters and figures, that practically the entire amount was redeemed.

Hog Hogs $300

Another person who is indebted to Mrs. Brown is a farmer of St. Claire County, Missouri, who dropped his purse into a hog pen while stooping over to feed the animals. The purse was found later, but the money had been swallowed by one of the hogs. The animals were slaughtered immediately and a green pulp, which was discovered in the stomach of one of them, was forwarded to Washington and $300 was returned to the Missouri farmer.

It is said that Mrs. Brown once pieced together four $50 bills which had been totally burned except for a few charred bits, none of them a quarter of an inch in diameter. Bits of bills which have been charred, or mutilated by rats, are pieced carefully together upon a section of glass the exact size of a bill. The redemption division has a copy of every bill that has ever been printed by the Government. These copies are used as models as soon as a bill has been pieced together. It is said that no bill ever has been received at the Treasury Department in a condition that made it impossible for the experts to straighten it out and establish its character.

The "conscience fund" of the Treasury Department is made up of voluntary contributions from persons who have defrauded the Government in times past and desire to make restitution. Contributions as large as $4,000 have been received from anonymous persons. It seems strange that this fund, of all the money in the government vaults, should excite the cupidity of crooks. Instances frequently arise, however, in which efforts are made by conscienceless persons to get hold of sums which have been contributed by their repentant friends. A case in point is that of a woman who endeavored to have the Treasury Department pay her $4,000 in October, 1915. She informed the Secretary of the Treasury, in a letter, that her husband was the anonymous contributor of $4,000 which had been received for the conscience fund a short time theretofore. The woman urged that the money be returned inasmuch as it was needed for the support of the family. Investigation by Secret Service agents, however, established the conviction in the mind of the Secretary of the Treasury that the woman had no knowledge of the source of the contribution and that she merely had learned of it from the daily newspapers.

The Case of Needy American Tourists

The treasury experts who had charge of the disbursement of the funds appropriated by the Government for the relief of Americans in Europe at the outbreak of the great war have a number of stories to tell about frauds and attempted frauds against the treasury. The most interesting stories developed by them, however, relate to the human side of their experiences and involve not so much crookedness as cupidity. For instance, there is one of a penurious artist who was in Berlin when the march through Belgium began. A friend deposited $100 to his credit with the Treasury Department at Washington and an order was cabled to Ambassador Gerard at Berlin to pay that sum to the artist. At the same time Congressman Warren Worth Bailey of Pennsylvania deposited $1,000 for a constituent in Berlin who chanced to have the same name as the poor artist. Congressman Bailey's constituent, it turned out, did not need the money and made no draft upon the embassy at Berlin. The artist got $1,000 instead of $100 and he wondered what good angel had bestowed such a generous gift.

Months later, when the treasurer's office had given many soothing explanations in response to Congressman Bailey's claim that his client's deposit be refunded, the department received a note from the artist inquiring as to the indentity of the donor of the $1,000 which had come to him in such splendid timeliness at the outbreak of the war. He was immediately informed that he had received the money by mistake and was asked to refund $900. At first he demurred, saying that he was a poor man and had spent the money. Later, when the Government had threatened him with prosecution, he said that he had not spent the money at all, but had retained the original marks drawn at Berlin upon the embassy's order in the fall of 1914. He offered to return the marks, but said he did not think it just that he should lose the $80 of exchange charges which would be necessitated in order that he pay $900 to the treasury. The Treasury Department took the matter up with Congressman Bailey's constituent and the case was settled on the basis suggested by the poor artist, who was so familiar with exchange rates.—L. A. B.

Prospects for Dollar Exchange and the Influences That Affect It

The War Has Produced Artificial Conditions—Europe Will Buy Raw Materials in Countries Where She Can Sell Manufactured Products—The United States Is Handicapped by the Similarity of Its Exported Merchandise to That Which South America Also Exports.

By SRINIVAS R. WAGEL
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OF all the changes that are taking place as a result of the struggle in Europe, the most interesting, from the point of view of those interested in international commerce, is the possibility of the shifting of the financial center of the world from London to New York. The world has been so long accustomed to sterling exchange that it is almost unthinkable, in the opinion of many, that any other exchange should take its place. But facts cannot be gainsaid; it is as plain as a pike-staff that London has already lost its pre-eminence as the financial hub of the world, and every day of the continuance of the war is making the position of London more and more insecure.

Those who have given careful thought to the financial and economic possibilities of the future in England and Europe are one and all agreed that, except in case of some miraculous intervention, London cannot continue to revert to the position it had before the war. At present, the United States is the only great, wealthy industrial country that is not drawn into the vortex of the struggle. By virtue of its wealth and position, the United States has become the financier of the world for the moment. Although it is not altogether out of Europe's debt, because of the American securities still held in Europe, the United States is fast wiping out the indebtedness. Even the existing indebtedness is only a flea-bite compared to the present resources of the country. It is, therefore, a worthy ambition on the part of bankers and financiers of this country to wrest the supremacy of finance from London and vest it in New York. Already commendable efforts have been made to strengthen the international position, and it is but natural that the first efforts should be made in the direction of South America. The dollar exchange has come into being, and is going to stay. Therefore, an inquiry into the prospects of the dollar exchange after the war is legitimate and timely.

It is unfortunate that a discussion of this question is very often vitiated by the misconception as to the part played by gold in this connection. It is very often asserted by people who ought to know better that because we have vast stores of gold in this country—the amount received from Europe in 1915 alone amounting to over $450,000,000—the establishment of the dollar exchange should be a matter of easy sailing. It is forgotten that England controls the greater part of the annual output of gold, totalling $465,000,000 in 1915. Moreover, it is not the possession of gold, but the control over its movement that counts. It may be generally known that the stock of gold in England before the war was less than the total of Russia, France or the United States; still she was able to maintain the sterling exchange and finance the whole world.

How London Held Her Position

The establishment of the dollar exchange means, in short, that the United States should become the financier of the world, in the same manner as was London prior to the war. Instead of dealing with vague generalities, let me point out how London was able to maintain her position, without even a shadow of competition, during the past quarter of a century. When all bills began to arrive in London, the foreign trade of the United Kingdom was more than double that of her nearest competitor. She was the carrier for the whole world, and she was unrivaled in the output of her manufactories. Every country in the world, including the United States, bought goods of her, partly for consumption, but mainly for equipment as an industrial nation. Before the other nations of the world became manufacturing nations, they were in the debt of England. Even when they grew to be competitors of England, they had to pay large sums to England to carry their commodities to the different parts of the world, in order that they might be able to market them—until a few, like Germany, built and established carriers of their own. All other nations, except England, had restricted markets; England alone was in a position to trade with all parts of the world, and had goods enough to supply them. Moreover, she had surplus capital to lend to the new industrial countries, which the latter borrowed freely.

Is it any wonder that London was the best place, under the circumstances, to come to, whether for borrowing or lending? Those that had surplus funds in Paris, Berlin, Antwerp or Vienna found that London was ready to take their funds and pay for the use at any time; those that wanted money knew that London was the place to go to if they should be in need. Therefore, it was purely a question of business and mutual advantage that contributed to London's becoming the financial center of the world. At first confidence was created in London, because of England's supremacy in industry and wealth; next, the whole world brought money to, and borrowed money of, London. This situation continued even when Berlin and Paris grew to be important financial centers, because it was advantageous to all parties concerned to do so.

Financial Qualifications of New York

Let us briefly consider how New York is qualified to become the financial center of the world. There is little use in discussing trade conditions at present, for the nature of the vast export trade of the United States today is such as not to be permanent. Further, there is little likelihood of the war lasting so long and the United States supplying the Allies so long with war munitions as to place the allied nations in debt beyond the value of the American securities held in England and France. When the war is over and normal conditions return there will not be the burden of interest on American securities to be paid to Europe in exports as heretofore—at least not so much as in the past. That would mean that American exports to Europe would be less than in the past; that would suit Europe admirably, because the crippled nations of Europe cannot afford to let more goods come in than is absolutely necessary. But it is averred in some quarters that Europe would have to buy large quantities of raw materials in the United States in order to help repair the damage done by the war, and that the United States would be able to finance such purchases. But such calculations are oblivious to the fact that all the warring nations of Europe are creditor nations and that other countries, principally the Latin-American republics, owe Europe large sums of money. At present Europe finds itself unable to accept their goods in the quantity desired, especially as it is a case of payment of interest and amortization on debts due. After the war, would it not be to their interest to deal with the South American republics as in the past?

In the meanwhile, we are building up a large trade with the South American countries. The position is that these countries produce the same or similar kinds of raw materials that are to be had in abundance in this country. The only way to sell manufactured goods to them is by financing the purchases, as Europe did in the past. There is plenty of money and gold in this country at present; hence, financing is an easy matter and advantageous to us. But is such a situation likely to continue after the war? Is the Argentine or Brazil likely to continue to buy from the United States and get into debt to boot, while its own raw produce is unsaleable? It is absurd to ignore the fact that, however much European countries might be crippled after the war, and however much their production might stand reduced as compared with that of the past, they can still make and ship the same kind of goods that the United States can. Therefore, does it not stand to reason that the Argentine or Brazil would go back to their old customers, to whom they could sell and from whom they could buy, rather than continue a one-sided transaction with the United States?

It must be remembered that with whomsoever Europe might deal, she wants only raw produce, selling in exchange manufactured goods. The difficulty of the United States is that she has no need to buy raw produce or manufactured articles, except purely articles of luxury. Paradoxical as it may seem, the United States has a serious handicap in the race for international trade in that she has to pay the penalty for being too rich and affluent. International trade and financing can only be carried on on the basis of exchange of one kind of commodities for another.

Post-Bellum Trade with Europe

Let us consider a little further the prospects of post-bellum trade with Europe. It seems to be the consensus of opinion in this country that Europe is going to turn out cheap goods after the war and flood this country with them to the detriment of national industry. Already efforts are being made to frame a special tariff to keep such goods out. Supposing such a contingency becomes a certainty, what encouragement would there be for the establishment of the dollar exchange? If the United States does not wish to buy goods from Europe, it stands to reason that she is not going to be able to sell her own goods. If, on the other hand, as is more likely, Europe is going to have high prices, owing to the heavy indebtedness and taxation that is likely to be the result of the war, this country might be able to finance Europe by selling her goods on credit. But the trend of opinion in all European countries is toward the building up of a tariff wall sufficient to shut out cheap goods from any part of the world. However weak Europe may be after the war, it is not going to be weak enough to allow dumping to the detriment of the national industries of the different countries. But it may be asked, how is Europe going to continue her trade with the rest of the world when prices are high within the boundaries of the different states? One cannot answer the question offhand; the establishment of bounties for foreign trade is not at all an improbability. Even if prices for export are high, Europe has the whip-hand in that she needs the raw produce of the world and can buy as well as sell.

I believe that it is a wild dream to hope that after the war there will be heavy borrowing on the part of Europe, in this country. We know that commissions have arrived here to buy materials for building up the damage done in France and elsewhere, and large sums have been mentioned. Even should such negotiations come to a head, or even result in creating credits or making loans, the sum total of the amounts would be a small fraction of what is now owed to Europe by the other countries of the world.

Two Essentials of Dollar Exchange

Two essentials for the establishment of the dollar exchange are that the money of foreign countries should be attracted here, and that this country should control large markets in far-distant parts of the world. After the war trade and finance are likely to be more national than international. England and France are not likely to keep their capital in the United States, so that Germany may be able to borrow in this market; nor is Germany likely to take such steps as might lead to the use of her capital by England or France. National animosities are now at their height; although they are

certain to cool down in time, they would be strong enough not to permit of international finance for the present. It is a truism that the rest of the countries in the world are mostly borrowers, who would certainly be willing to take money from the United States. But New York cannot long remain a financial center and maintain a dollar exchange if it is all going out and nothing coming in.

The foreign trade of the United States with other countries besides those of Europe and Canada is still of small proportions. One of the greatest handicaps for the expansion of foreign commerce is the want of a merchant marine. There is no doubt that the present is an auspicious time to fight for a greater proportion of trade in Asia, South America and other countries. But it is going to be a tough fight and results are more or less likely to be slow. By financing these trades the United States should gradually be able to extend the area of the dollar exchange, which has been so auspiciousy introduced in connection with the South American trade.

It is my opinion, therefore, that although the efforts to establish a dollar exchange are commendable, it is not going to be productive of quick results, as is generally believed. After the war there will be two financial centers in Europe; and as Europe is in no position to finance purchases in Asia as before, it is not at all unlikely that Japan might withdraw her reserves from London and have her own center. New York, of course, would become the center for this continent; for obvious reasons there is no doubt that New York would be more powerful within its sphere of influence than other centers. The future, of course, is uncertain; and it is not at all improbable that, in the distant future, there might again rise one financial center like London, and that may and probably will be New York.

SIR EDWARD HOLDEN ON THE POUND STERLING

Sir Edward Holden, chairman of the London City & Midland Bank, has no fear that dollar exchange will displace the pound sterling. In a recent address he gave a lucid explanation of the situation and stated the causes for the depreciation of London exchange in neutral countries and for its appreciation in the countries of Great Britain's allies. The following is a summary of Sir Edward Holden's remarks:

"I venture to say that, in my opinion, we shall not only not lose our financial position, but we shall greatly improve it, and our banking institutions will stand much higher in the estimation of the world than ever before.

"London has been and is at the present time the financial center of the whole world. Everyone wishing to understand the financial relationship of this country to the whole world must comprehend this statement.

"It has two meanings—one very simple and the other very complex.

"All countries in the past which have wanted to borrow money have generally found what they wanted in London, and whatever has been lent has been granted freely and with little restraint. Hence London has always been regarded as the center to which all requiring financial aid could come, and, as the whole world has come at one time or another, and London has held herself ready to lend to all comers on proper conditions, she has been designated by common accord the world's financial center. This is the one meaning of the statement which is simple. Thus she has in the following years lent to British possessions and foreign countries the respective sums of about

1910	£189,000,000	1913	£197,000,000
1911	164,000,000	1914	159,000,000
1912	160,000,000	1915	75,000,000

amounting to £944,000,000 sterling from 1910 to 1915, and we must not forget the large sums lent by the British Government to our Allies.

"In consequence of the war, London's position is somewhat changed, and New York has come to the front as a great lender.

"England went into this war unprepared, except as regards her navy, while Germany had been preparing and perfecting her army for the last twenty to forty years, and during the last fifteen years had been creating a powerful navy, and had carefully provided everything necessary for carrying on the war.

"As to whether this country is to blame for not paying attention to the warnings received for years before the war is outside the scope of our consideration to-day, but if we compare the position of affairs now with the position of affairs twelve months ago, we cannot but be struck by the enormous amount of work which has been done, not only by ourselves but by our Allies.

"Russia, France, Italy, Canada, England and others have improved and extended old factories and built new ones for the manufacture of munitions of all kinds, and these munitions are being produced at the present time by the employment of every available hand who can be spared from other businesses. I would like at this point, however, to express my conviction that it is absolutely essential for us to retain such an amount of labor as is necessary to maintain our exports, otherwise the exchanges will fall and our gold will go. To start these factories, equip them with the accessories necessary for the manufacture of munitions, and to provide food and means of transport for the armies, enormous sums have been spent by ourselves and our Allies.

"Of the Allies, the credit of Great Britain stood the highest, and has been used to assist the credit of the other allied countries.

"The basis of our credit is the pound sterling, and wherever we purchase we use the pound sterling. For example, all our Government contracts with America have been paid for by sterling. If we agreed to pay for

purchases in dollars, then we have had to exchange sterling for dollars, or, in other words, we have had to buy dollars with the pound sterling.

"If the settlement of transactions took place in London, an order for payment would be given on the paymaster general at the Bank of England. The firm receiving it would immediately get quotations from the foreign market here or in America for a cable transfer on New York for the equivalent amount of dollars to be paid in New York the same or the next day.

"If the settlement took place in New York, then the Government would have to obtain dollars either by selling sterling on London or by some other means.

"The pound sterling is a wonderful instrument. It is really the English sovereign, and the English sovereign has a minimum weight of 122.50 grains and a maximum of 123.274 grains. The foreign representatives of the sovereign are foreign bills of exchange, cable transfers and sight drafts, and the English representatives are checks, bills of exchange and bank notes. The foreign bills of exchange, cable transfers and sight drafts have hitherto financed imports and exports to and from this country, and very extensively the imports and exports of other countries. The English bill has been held in the portfolios of banks abroad as gold, because in non-war times, when the reserves of gold held by foreign state banks were allowed to flow without restrictions at the call of the foreign exchanges, and when gold freely flowed to and from London the sterling bill was (and is now) paid in gold in London if demanded.

"Now things are modified for a time. The imports and exports of all countries are deranged, and consequently gold is only flowing to London from our own possessions, which yield about 60 per cent. of the entire world's production, the output during 1915 from the Transvaal mines alone being about 39,000,000 sterling.

"Yet, notwithstanding the derangement of the whole of the exchanges between different countries, including those between this country and other countries, and also of the imports and exports of all countries, the English bank note, unlike that of Germany, is payable in gold and therefore prices, although high here, are much lower than in Germany.

"Whenever the pound sterling falls below its gold value in any country the importer of goods into Great Britain has to give more for the goods imported from that country, consequently prices rise; on the contrary, the British exporter gets an advantage, because if he ships goods, say, to America, he will receive payment in dollars, and in bringing his money home he gets more sterling for the dollars. Thus imports should diminish in consequence of increase of prices, and exports should increase because the exporter not only gets his ordinary profit, but also a profit from the exchange. This should happen in ordinary times, but when a world-wide war is raging restrictions and impediments of all kinds prevent the free working of economic laws.

"What causes the gold value of the pound sterling to fall? When in any market the sellers of the pound sterling as represented by the foreign bill, cable transfer or the foreign check on London are more numerous than the buyers, then the sterling exchange falls. When exports are shipped from any country to the United Kingdom, the exporters are the sellers of exchange on London, and when exports are shipped from the United Kingdom to any other country, then the importers of that country are the buyers of exchange on London. But the importers of any county from the United Kingdom are not the only buyers. Anyone who has to send money to this country will be a buyer of exchange. Fluctuations in the volume of the imports and exports to and from this country are the main cause of the fluctuations in the exchanges. The imports in such times as these may largely increase while the exports may fall or remain stationary.

"The pound sterling has never had to carry such a load as at present. The imports into this country and into the countries of the Allies, on account of their respective purchases of war materials, are enormous, and are all additional to the ordinary commercial transactions carried on by traders.

"In addition to paying for our own imports, we have assisted to finance the imports of our Allies; consequently much larger amounts of the pound sterling have been offered for sale by our Government and private traders than were offered in pre-war times, and in accordance with the law of supply and demand the pound sterling has for the present gone down in value. The pound sterling is worth in gold $4.8665, but at the present time the exchangeable value in New York is about $4.77, a depreciation of 1.9 per cent.; in Holland it is worth in gold 12.107 florins, but the exchangeable value is about 10.86, a depreciation of 10.3 per cent.; in Spain it is worth 25.225 pesetas in gold, but the exchangeable value is about 25.07, a depreciation of about 0.6 per cent.; in Scandinavia it is worth 18.159 kronor in gold, but the exchangeable value is about 17.45, a depreciation of 3.9 per cent. Notwithstanding these temporary depreciations in the value of the pound sterling, there are appreciations elsewhere. The pound sterling in Paris is worth 25.225 francs in gold, but at present the exchangeable value is about 27.97 francs, an appreciation of 10.8 per cent.; in Italy the gold value is 25.22½ lire, but the exchangeable value is 31.65, an appreciation of 25.4 per cent., and in Petrograd £10 is worth 94.57 rubles in gold, but the present exchangeable value is about 160.50 rubles, an appreciation of 69.7 per cent."

Insular Bank of the Philippine Islands to be Organized by H. Parker Willis

New Institution a Public Enterprise, Representing a Consolidation of Banking Functions Formerly Carried on by the Insular Government—Capitalized at $10,000,000 and May Have Branches.

By L. AMES BROWN

DR. H. PARKER WILLIS, secretary of the Federal Reserve Board, has been granted six months' leave of absence to permit his acceptance of the appointment to the presidency of the Insular Bank of the Philippine Islands, soon to be organized. The Reserve Board consented to dispense with Dr. Willis' services for this period only in the realization that the new insular banking institution is a public and not a profit-seeking enterprise. It was animated also by a desire to accord recognition to the secretary to the board for the important assistance he has rendered during the past eighteen months when the new currency system of the United States was in process of organization.

Dr. Willis wrote the original draft of the measure by which the Philippine Assembly authorized the new Government Bank. The measure as written by him was adopted with slight alterations by the Insular Assembly early in February and the Government of the Islands immediately tendered him the position of president at an annual salary of $10,000. He leaves for Manila about March 1.

American bankers have been greatly interested in the character of the new Philippine bank, which has been inadequately described in the brief newspaper despatches cabled to the United States in February. The following statement of its functions is authoritative:

Consolidation of Banking Functions

For some years past the Philippine Government has carried on an agricultural bank. It has also advanced funds to provincial governments and to private enterprises of certain kinds for the purpose of assisting in the economic development of the Islands. In addition to these undertakings, it has performed certain foreign exchange operations through its treasury. These, taken together, constitute a considerable volume of banking operations, and some months ago it was thought best to consolidate them and to establish an institution to be known as the Insular Bank of the Philippine Islands, with a definite capital, but with its stock owned by the Government, to carry on these functions for the future. The measure in question was passed in the early days of February, just before the adjournment of the Philippine legislature, and immediately thereafter the following cablegram was received in the United States from the Philippine Government:

"Bank bill as enacted finally provides $10,000,000 capital. Government to purchase majority stock. Sixty per cent. payable now; balance in annual instalments. Three classes operations: First, real estate; second, liquid; third, miscellaneous. Real estate bonds to be issued against first class, circulating notes to be issued against second class, but never to exceed sixty per cent. capital and surplus. Bank also may issue notes against gold; may establish branches in provinces and the United States."

It is understood to be Dr. Willis' plan to establish the central institution at Manila with a number of branches in the business centers of the Islands.

Governor Harrison's Recommendations

Governor-General Francis Burton Harrison recommended the establishment of the Insular Bank in his message to the Third Philippine Legislature, October, 1915, in this language:

"Moreover, additional revenues are needed now and will be needed in the coming years to meet the just demands and expectations of the people for further works of progress and economic improvement. Foremost among these I recommend to your consideration the necessity for the establishment by the Government along conservative lines of an insular bank. Additional credit facilities are essential to the producers in these Islands. It is of the utmost importance that the agriculturists of the Philippines should have more extensive opportunities for obtaining credit upon their lands, upon their live stock, agricultural implements and growing crops. Other classes of producers in the community are also entitled to consideration in this regard. In the formation of this bank due consideration should be given to the private banking interests already existing, that all danger of creating a Government monoply of banking may be averted. It is wholly undesirable to continue in the executive officials of the Government the banking functions necessitated by the present situation.

"In the years 1914 and 1915, after due consideration of the existing circumstances, I have continued and increased the amounts of public funds previously deposited in private banking institutions of the Philippines upon proper guaranty, for the credit and relief of the landowners in the sugar regions of Iloilo, Negros and Mindoro. At the present time the sum of P 3,600,000 of public money is on deposit with banks for the purpose of assisting in the development of the sugar industry of the Islands, and these operations should be transferred to a Government bank instead of being made under the direction of the governor-general. It is my intention, as I have publicly announced upon several occasions, to discontinue such use of the public moneys when the outstanding loans by the banks are repaid

during the year 1916, and I urge that the legislature make provision for the creation of a bank which is prepared to furnish credit as a business undertaking to all agriculturists in the Islands who can furnish proper and sufficient security. Unless this can be done the present system of Government deposits will encourage in your archipelago a class of persons tending to become entirely dependent upon Government aid, until some will conceive it to be their vested right to receive special aid or favors from the Government. These banking operations should be founded upon a basis of equal opportunity for all agriculturists and the bank instituted and controlled by the Government which makes these loans should derive the financial benefit from these operations."

Dr. Willis' Career as an Economist

The secretary of the Federal Reserve Board who has been called to the important work of organizing and opening the new insular banking institution and preparing its plans for doing business is recognized as one of the leading tariff and currency experts of the United States. Dr. Willis has had a sound education in the theory of finance and political economy. His especial skill in these subjects first was recognized by the faculty of the University of Chicago in 1896 when he was sent abroad as traveling fellow to study at Berlin and Vienna. The University of Chicago conferred the degree doctor of philosophy upon him in 1898.

Before receiving this degree Mr. Willis had begun his career as expert adviser to public bodies, whose duties extended into the realm of political economy. In 1897 and 1898 he acted as special assistant to the Indianapolis Monetary Commission. In 1898 he was appointed adjunct professor of economics in Washington and Lee University, a position which he resigned in 1901 to become editorial writer on the New York *Evening Post*. After two years' service on the *Evening Post* staff Dr. Willis came to Washington as correspondent of the New York *Journal of Commerce* and of the *Springfield Republican*. George Washington University, at the national capital, soon drafted him into its faculty as professor of finance. He was appointed dean of the College of Political Science at George Washington University in 1910. In 1912 Dr. Willis became associate editor of the New York *Journal of Commerce*, at the same time delivering lectures at Columbia University as a member of its political science faculty.

He was soon recalled to the national capital, however, to undertake a series of labors as expert adviser to various government bodies. In 1912 he served as expert to the Ways and Means Committee of the House of Representatives during the preparation of the Underwood tariff law. This work completed, he was called into service to assist in the formulation of the second important legislative achievement of the Wilson administration—the Glass-Owen currency law, now known as the Federal Reserve Act. In 1914 he served as expert to the joint committee of the House and Senate on rural credits.

The appointment of Secretary to the Federal Reserve Board was awarded Dr. Willis as a recognition of his ability and important services, September, 1914. It was an open secret at the time of the appointment that Secretary McAdoo and the other members of the Federal Reserve Board, who had little practical experience in banking, insisted upon Dr. Willis' appointment despite the fact that President Wilson had selected a personal friend for the position. Dr. Willis' intimate knowledge of the Federal Reserve Act, gained through his experience in assisting in its formulation, was invaluable to him when he took up the work of aiding in the installation of the Federal reserve system. In the period since his appointment he has shared with Paul M. Warburg the burden of the labors of the Federal Reserve Board, which required a knowledge of the technical and theoretical side of the science of banking. He has written, on instructions from the Board, a large number of the circulars and regulations by which the Federal Reserve Board authorized the assumption by the new banking institution of the functions and prerogatives prescribed by the Glass-Owen law. Dr. Willis' experience in putting the Federal Reserve Act into operation will stand him in good stead in his work at Manila, for the new banking institution of the Islands is modeled after that of the United States and much of the routine of the work of putting it into operation will involve merely the following of rules and principles laid down by the Federal Reserve Board.

BOUNDARY CHANGES IN RESERVE DISTRICTS

The Federal Reserve Board has approved a resolution providing that "all of Louisiana, north of the parishes of Vernon, Rapides and Avoyelles, remain in the Eleventh Reserve District (Dallas) and that the remaining part of the state of Louisiana now in the Eleventh District be transferred to the Sixth Federal Reserve District and the banks therein allotted to the New Orleans branch of the Federal Reserve Bank of Atlanta." This decision shifts about a dozen Louisiana banks from the Reserve Bank of Dallas to the New Orleans branch of the Atlanta bank.

The Federal Reserve Board, on February 29, voted to grant the appeal of certain Connecticut bankers for the transfer of territory west of the Connecticut River from District No. 1 (Boston) to District No. 2 (New York), insofar as relates to the banks situated in Fairfield County. Action as to the territory covered in the remainder of the petition was suspended. It is understood that the reason for the suspension of action as to the entire case was due to the desire to study further the effect the transfer would have on the clearing system.

Farmers' Need for Productive Credits Amply Cared for by Present Facilities

No Use for Organization of Rural Credit Associations Patterned after those in Europe—Destructive Credit and Its Dangers—The Tenant Farmer a Difficult Problem—Mortgage Loans on Farm Lands a Matter for State Action.

By P. W. GOEBEL
President the Commercial National Bank of Kansas City, Kan., Vice-President the American Bankers Association

WHAT is rural credit and wherein does it differ from any other form of credit? If I were asked, "What is credit?" I would answer, "Credit is the ability of a person, corporation or association to obtain the use of anything of value to be returned at a future period, either in kind or in something equally acceptable to the person granting the credit." Credit to persons in any pursuit may be granted on their general character and ability, or the pledge of personal property or other credits, or on the conditional sale of real estate, usually called mortgage, the latter usually being resorted to to secure advances to run over a period of years, the first for short time loans. The two differ so materially that it would be well to consider them separately.

Let us first discuss the personal and short credits. Does the farmer in this connection need a different system of credit than the average person engaged in other industries? I have been a dealer in credits for thirty-three years in the state of Kansas and a reasonably close observer of the needs of farmers, merchants, manufacturers and men in salaried positions and I have found that the farmer's needs of personal credit does not differ materially from those of the other pursuits. Let us examine briefly:

First—The purpose for which the farmer needs credit.

Second—His ability and the length of time needed by him to repay.

Third—Are the agencies which can supply him at present sufficient and are the terms reasonable?

First, as in other industrial pursuits, the farmer needs credit to prepare his commodities for market. The current expenditures during the time of raising a crop are proportionately as great as those of the manufacturer of any other commodity and of the same character. They consist of the living expenses of the family, the purchase of enough live stock to consume forage raised, the wages of men employed, the cost of repairs and new machinery, taxes and interest on mortgage loans, and correspond exactly to the outlay of the manufacturer for raw material, wages and salaries, taxes and interest on bonded indebtedness. Both classes have equally legitimate use for credit and by using it they confer a benefit on those who have credits which for some reason they cannot themselves use profitably. The principal commodities which the farmers of Kansas produce for the market are grain, live stock and forage, all of which require a considerable outlay of money from start to finish, and few farmers have sufficient capital to finance all of them before they can turn them into cash. Those who have sufficient capital to do this can wisely use part of it for permanent investment and depend on short time loans for the balance.

The Farmer's Ability to Repay

Second, let us consider the ability of the farmer to repay. As in all pursuits, of course, this depends largely upon his ability to manage his business. He must be a student of conditions, have a knowledge of what his soil is best adapted to produce, carefully nurse its fertility and never depend on one crop or one class of live stock. Here again farming does not differ from any other pursuit. The farmer's ability to liquidate his credits is fully equal to that of any other business. The time required by the farmer to repay his current credits naturally differs in the different lines of farming, one who principally raises grain for market requiring shorter time than one who handles live stock and converts his grain into meat products. The former should be able to liquidate once a year, the latter, especially if he raises his own live stock and keeps them until they are ready for the butcher, usually requires longer time, perhaps two years.

In the third place, consider the agencies for the supply of credits and the terms upon which they are granted. Here we come to the crux of the agitation for rural credits institutions modeled after the rural credit associations of continental Europe. We have in the United States a system of independent banks organized under the laws of the different states and the United States. In the state of Kansas we have about 1,200. The capital stock of these institutions is almost entirely owned by the residents of the communities they serve: by far the largest number of stockholders are farmers and I believe the majority of the directors are farmers. These banks are the principal agencies on which the farmer has to rely for current credits. Other agencies are the mercantile establishments who sell their goods on credit, which is the highest priced credit available. The banks are also the depositories of the savings of the people and the custodians of funds temporarily not in use by the owners. These deposits and the capital and surplus, less the necessary reserve which must be held against deposits, are available for loans. I am sure all will agree that the management of these institutions is in touch with the needs of the farmer. I know that a great majority of them prefer farmer's paper to

any other kind, which leads us to ask this question: Are these institutions able to furnish all the credits needed by the farmers of the state? And in answer I say without hesitation that they are able to furnish all of the productive credits needed and much more.

What do I mean by productive credit? Productive credit as it relates to the needs of the farmer is credit extended for the purpose of producing or purchasing something that will enhance in value while in the hands of the farmer, thus the purchase of young live stock, the raising and harvesting of crops, better fencing so as to utilize pasturage at its best for all kinds of live stock, the purchase of labor-saving implements; in fact, everything which will increase yields and conserve the products of the farm and will enable the user to work out of debt rather than get into greater debt.

There is and has been available for the last five years from the resources of the Kansas banks at least $100,000,000 for the use of Kansas farmers during the active periods of the year, and these banks can easily extend further credit of at least $25,000,000, which they can place with the banks in reserve cities and now with the Federal reserve bank. I have carefully examined conditions in every section of this state and my judgment, based upon an analysis of these conditions, is that this is more than is needed by the farmers, except by those who handle a larger number of cattle than their own feed and pasture will support. Everybody at all familiar with conditions knows that there is no lack of capital seeking investment in cattle paper made by men who have the ability and resources to handle cattle profitably. In fact, the demand for cattle loans has been so great that prices of all classes of stock cattle have been inflated to a dangerous point. It would be better if money for the purchase of large herds of cattle were more difficult to obtain.

Ample Credit Now Available

If my contention that there is ample credit available at present for productive credits of the farmer is correct, then there is no use for the organization of rural credit associations patterned after that class of associations in Europe. It is unnecessary and would at any rate be impractical, yes, impossible in our own country. There is no country in Europe that has the system of rural banks which we have, and before these associations were formed the peasants of Europe were entirely dependent on the individual money loaner, only too often a usurer. There was no way of making available the surplus savings of a community for the use of those of the same community who needed credit. Owing to these conditions the tillers of the soil became so impoverished that their very existence was endangered. To remedy this condition the several states passed laws to encourage the formation of rural credit associations. The basis of credit was the unlimited liability of every member of the association. (The states aided in the formation of the societies in many ways, just as our own state has aided in the formation of rural banks.) The association is both the borrower and lender, borrowing the surplus funds of members and reloaning them to other members at a slightly increased rate of interest. Loans are made only for specific constructive purposes and the expenditure of the money borrowed is closely supervised by a committee. Manifestly the average Kansas farmer could not be induced to guarantee the indebtedness of his neighbor, nor would he tolerate the dictation of a committee as to how he should expend the money borrowed.

Again, we hear a great deal about the low rates of interest charged by these European associations. I have a brother living in Germany who is a member of one of these associations, with whom I have had a great deal of correspondence on this subject, and he informs me that the average rate of interest is about 5 per cent., rather a fraction above than below. When you consider the small amounts used and the close scrutiny of the purpose for which loans are to be utilized and the smaller profits to the farmer on account of numerous taxes and high-priced land, this rate is not any lower than prevailing rates here. The rates of interest charged by the banks of Kansas range from 6 per cent. to 10 per cent. I am sure that there are more dollars loaned at less than 7 per cent. than at a higher rate. The tendency is downward and the rate has decreased at least 1½ per cent. in the last five years, and is no higher to the farmer than to the commercial and industrial interests, the ability to repay being equal. The Federal reserve bank system is bound to have a tendency to lower and stabilize rates and farm paper is not discriminated against, but rather favored by the system.

Years of observation convince me that a very low rate of interest is almost, if not quite, as dangerous as a high rate. The low rate almost invariably begets speculation with consequent inflation of prices of the raw material, which in case of the farmer is principally unmatured cattle and feed used to fatten them, with no coresponding increase in the finished material, which in his case is fat live stock ready to be sold to the packer. In this connection we must not forget that there is a great difference in the ability of men to use borrowed capital profitably at any rate. There are many men who can use up to $1,000 in their farming operations profitably at any reasonable rate of interest up to, say 8 per cent., but who could not use $2,000 profitably and pay it back at an agreed upon period without any interest.

The Dangers of Destructive Credit

Thus far I have spoken of productive credit. There is another form usually called consumptive credit, but which I prefer to call destructive credit. This form is used for the purpose of buying luxuries and things not needed at the time or with borrowed money. In this category I would also include credits used to engage in speculation of any kind, more especially for the purchase of securities of concerns of whose business the purchasers cannot have sufficient knowledge to judge of the management and be sure of the outcome of the investment. This form is always dangerous, not only because it almost invariably results in loss of the investment, but also because it seriously affects the ability

of the party to obtain necessary productive credits. The purchase of real estate on time, which the owner cannot use himself and the rents of which scarcely ever are sufficient to pay interest and taxes and necessary repairs, may also be put in this class. Unfortunately much of our now existing indebtedness is of this class and is the greatest handicap to real prosperity. The dealer in credits, be he banker or private individual, who will discourage this class of credits, regardless of the interest offered, is a real benefactor. A banker who encourages it for the sake of profit is a real enemy of the community in which he does business. To better rural credits we must strive to create conditions which will not make it easier for farmers to get into debt, but will make it easier and surer for them to pay debts created for constructive and productive purposes. As my sentiments I desire to quote from a recent address by a very able editor of an agricultural paper:

"Facilities for going into debt to the Government, the state or any civic corporation is one thing. Ability and willingness to pay the debt or redeem the obligation is quite another. Any system that tends to lessen the farmer's dependence on himself or to increase his dependence on another is in itself utterly wrong. The only efficient help for the farmer is self help and the only real help the state or Government can give to the farmer is through helping him to help himself."

Gradual Marketing of Grain

This can be brought about only by education and intelligent mutual co-operation. Every township in the state should have its farmers' co-operative society for marketing farm products, improving live stock, encouraging its members to keep the live stock they raise to maturity, discouraging speculative feeding and urging members to build fireproof granaries of the best patterns. There should be a co-operative elevator and fireproof grain warehouse at almost every station, so that grain may be marketed in an orderly fashion. There is no reason why the receipts of wheat at Kansas City should be 500 cars per day in August and less than 100 cars from December to April. Lest I be misunderstood, I do not advocate the speculative holding of grain, but rather the avoidance of flooding the market in the early part of the season and thus depressing prices abnormally to the loss of the producer and no benefit to the ultimate consumer. Consumption of wheat is practically uniform during the entire year and I believe it would be better for both producer and consumer if it were partly held in storage in the country than for all of it to be stored at the great terminals. With proper warehouse facilities in the country the farmers' co-operative society can finance the holding quite as well as the grain merchant in the city.

Our methods of handling cattle could be much improved. It would be much better for every owner of a farm to carry enough cattle of all classes to consume every pound of roughness not needed for work stock, and never sell a calf unless it be below grade, and each year fatten the steers two years old and over and such cows as are no longer profitable for any reason, than to have a few men in each township have larger herds for speculative feeding. The nearer we can consume every pound of forage and rough grain we produce on the farm where it is raised, the more stable will conditions be and the more reasonable interest rates will be. The purchase of high grade male animals through the co-operative societies must be encouraged; scrub stock will never again be profitable. To make co-operation a success the farmer must learn to trust his brother farmer. You can not conduct a growing business in mass meetings; it must be done by representatives elected by the members and they must learn to throw aside all personal reasons when casting their vote for the managing committee, and select men of mature judgment and experience as well as a willingness to work for the benefit of all with as much energy as they do for themselves. They should be men who can afford to give much of their time without special compensation. The great mutual savings banks of the East are managed by trustees who serve without compensation and who give these institutions the very highest grade of service. I am sure the Kansas farmers are endowed with as much patriotism and high-minded public spirit as any class of people in the world and there will be no lack of men to assume the responsibility in guiding the business of the co-operation to success, and when they do this they are entitled to the thanks of the community and should not be subjected to carping criticism.

The Tenant Farmer

The most difficult problem in rural financing is the tenant farmer who rents for cash rent. Of course, there are quite a number of them who have sufficient capital to make them a good credit risk in spite of the fact that the landlord has a statutory lien on everything they raise, but I am speaking of the average tenant who has nothing but his work stock and that only too often encumbered. In case his crop is a partial failure the landlord gets it all, and any credit extended him must be carried over another year, with no more assurance of a good crop than before and the same certainty that the landlord will get all of his rent money before he can pay other creditors anything. This system of renting is the greatest menace to the prosperity of the state and must be changed, and nothing could help to bring about a change quicker than the repeal of this rent lien law. Under the present system the tenant can not be expected to farm the land—he will and must mine it. The result is impoverished soil and enough cockleburs and other noxious weeds to inoculate all surrounding farms.

My theory is that landlord and tenant should share both in prosperity and adversity. This condition can only be gained by a division of the crops produced, as in share renting, and leases should be made for a long enough period to give the tenant a real interest in the land. This will enable the landlord consistently to insist on crop rotation and the maintenance of the fertility of the soil. But, in my opinion, based on years of experience, the best plan is a full copart-

nership between landlord and tenant. Let the landlord put the land against the labor of the tenant, let everything in the way of live stock and implements be owned share and share alike by them. If the tenant has not sufficient capital to pay for his half interest in the necessary live stock, let them borrow the money jointly. The credit of this partnership will be as good as that of the owner. The proceeds of everything sold is divided equally after paying or reducing partnership debts. This system, especially if for a period of years, gives the proper incentive to both parties to do their best in handling soil and crops. Rotation of crops becomes to the interest of both as also does the frequent use of that most useful of implements, the manure spreader. The tenant who pays cash rent is the man who always has to pay the highest rate of interest and the highest price for anything he buys on credit, thus further depleting his ability to pay. It may be said that the average tenant is too poor a manager to be trusted with a partnership, but my experience is, give the average tenant a chance and help him to manage the farm and give his family a decent place in which to live, and he becomes a man whom you can trust.

Proposed United States Land Bank Too Cumbersome

There is now pending in the Congress of the United States a bill for the formation of twelve land banks to take land loans from local associations, and sell debentures to the public against the security of loans so purchased. I have not had the opportunity to examine all the provisions of the proposed law, but from a study of the synopsis published by the committee in charge, I am convinced that the proposed system will be too cumbersome and too expensive in its operation. I believe that we can evolve a state system that will be more simple and less expensive to operate and which will make it possible to offer as low a rate of interest as the proposed Federal land banks would offer.

Let the Kansas State Legislature pass an enabling act for the organization of one land bank with a capital stock of say $1,000,000, one-half to be paid in within six months after its organization, the remainder, in installments of 10 per cent. as needed. Let this stock be offered to the state banks and the incorporated investment companies of Kansas in proportion to their paid up capital and surplus; the office of the bank to be located at the state capitol. Let it confine its business to the making of loans on farms occupied and cultivated by the owners, either on straight payment or upon the amortization plan; straight loans to be made for not less than five years nor longer than fifteen years, with the privilege of partial payment at the end of any year after three years. Amortization loans could be made for a period up to thirty-five years. The French system of amortization should be used, where level payments will pay interest and extinguish the principal of the loan. The amount loaned should be limited to 50 per cent. of the valuation of the land for straight loans and 65 per cent. for amortization loans on not to exceed 80 acres, and 55 per cent. on loans on more than 80 acres and not to exceed the maximum number of acres upon which loans may be made. As this would be an institution for the benefit of our home owners, loans should not be made on more than say 200 acres in the eastern half of the state and on not to exceed 640 acres in the western half. Applications for loans should be made through stockholding banks or investment companies located in the vicinity of the land offered as security.

As soon as the bank has made loans amounting to $200,000 it should be authorized to deposit them with the state treasurer and issue its debentures against the security of the mortgages so deposited, such debentures to be issued in series of $100,000 or multiples of $100,000 and in denominations of $250, $500 and $1,000 and $2,500; debentures to be registered with the state treasurer and countersigned by him or one of his deputies. They should bear interest at not to exceed 5 per cent. per annum, payable semi-annually, the rate of interest charged the borrower to be uniform and never to exceed 1 per cent. more per annum than the rate paid on debentures. It is my opinion that such debentures could be readily marketed at 5 per cent. and would become a popular investment for individuals as well as for corporations. Dividends on the stock should be limited to 5 per cent. and should be cumulative, any earnings above 5 per cent. to be placed to a contingent fund until it amounts to 20 per cent. of the capital, after which any surplus earning should be used to reduce interest rates.

Such is a brief synopsis of a plan which I believe would solve the question of long time loans upon farm homesteads at a uniform reasonable rate of interest. This rate of interest probably in a few years would be less than 6 per cent.

In conclusion, I desire to say that whatever system of rural credits we may evolve, let us not forget that debts must eventually be paid, and in order to pay debts we must either sell what we possess or spend less than our income. The former means disaster and dependence after our active work period is over, the latter means independence and comfort for the same period. Let us teach thrift for all classes, and develop in the young men and women the moral courage to forego luxuries, that they may become steady and consistent savers. The real prosperity and happiness of the people does not depend upon the accumulations of a few millionaires, but upon the savings of the masses of the people.

DIGEST OF THE PENDING RURAL CREDITS BILL

As reported by Senator Hollis on February 15, "with amendments," what is known as the rural credits bill covers seventy-eight pages and contains about 19,000 words. The bill is described as intending "to provide capital for agricultural development, to create a standard form of investment based on farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositaries and financial agents for the United States, and for other purposes."

The original bill provided for the organization of a Federal Farm Loan Board to consist of five members appointed by the President. The amended bill provides for a Federal Farm Loan Bureau within the Treasury Department, the bureau to be under the general supervision of a Federal Farm Loan Board. This board is to be composed of five members including the Secretary of the Treasury, ex-officio. Not more than two shall be appointed from one political party and the annual salary shall be $10,000 for each.

Twelve District Banks

As soon as practicable this Federal Farm Loan Board is directed to divide the United States into twelve districts and in each district to establish a Federal land bank with a capital not less than $500,000.

The twelve Federal land banks form one division of the effort that the Federal Farm Loan Board is to put forth and these banks are, as was stated, to be organized by the Farm Loan Board. Opportunity for individual enterprise is given by the provision that permits any number of natural persons not less than ten to organize what are called joint stock land banks which are to engage in the business of lending on farm mortgage security and issuing farm loan bonds. These joint stock land banks are subject to all the restrictions and conditions imposed on Federal land banks but the government of the United States "shall not purchase or subscribe for any of the capital stock of any such bank." The capital stock of a joint stock land bank must be at least $250,000 and in states having populations above 2,000,000 the capital stock must be not less than $500,000.

Government May Subscribe

The capital stock of each Federal land bank is to be divided into shares of $5 each "and may be subscribed for and held by any individual, firm, or corporation, or by the government of any state or of the United States." Stock owned by the Government of the United States shall receive no dividend. "If within ninety days after the opening of said books any part of the minimum capitalization of $500,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereof on behalf of the United States." Any subscription of this kind by the government is to be repaid by the application thereto of one-quarter of all sums subsequently subscribed to the capital stock.

Federal land banks shall be depositaries of public money, except receipts from customs, when designated for that purpose by the Secretary of the Treasury.

It will be seen that there are points of resemblance between this bill and the Federal Reserve Act. The difference is that the Federal reserve banks were superimposed on a banking system already in existence while in this case the Federal land banks, which correspond to the Federal reserve banks, are dependent for their members on the activity of potential borrowers in establishing farm loan associations which correspond to the member banks. The joint stock land banks, the products of individual initiative, may be compared to the state institutions with the exception that they will necessarily be members of the system.

Farm Loan Associations

What are called in the bill "national farm loan associations" may be formed by persons desiring to borrow money on farm mortgage security. "Ten or more natural persons who are the owners, or are about to become the owners, of farm land qualified as security for a mortgage loan * * * may unite to form a national farm loan association." The aggregate of the loans they desire must be not less than $20,000 and the amount desired by each person must be not more than $10,000 nor less than $200. These associations may be organized with either limited or unlimited liabilities. The capital stock shall be divided into shares of $5 each and it is provided that "any person desiring to borrow on farm land mortgage through a farm loan association shall deposit with the secretary-treasurer thereof for the purchase of stock at par an amount equal to five per centum of the face of the desired loan."

There is provision for the deposit of the mortgages secured by the subsidiary associations with the Federal Farm Loan Board and against these the farm land banks are to issue bonds which are to be sold to any one who will purchase. The rate of interest is not to exceed the legal rate fixed by law for loans by national banks and loans are, of course, to be made only against farms whose appraised value is twice that of the amount loaned. Mortgages shall run for a period of at least five years and not exceeding thirty-six years and are to be repaid on the amortization plan. Farm loan bonds are not taxable by national, state, municipal or local authority and it is also provided "that every Federal land bank and every national farm loan association, including the capital stock and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, state, municipal and local taxation, except taxes upon real estate. * * * First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this act, shall be deemed and held to be instrumentalities of the government of the United States, and as such they and the incomes derived therefrom shall be exempt from Federal, state, municipal and local taxation."

Another interesting provision is made against the contingency that no national farm loan associations will be formed. It is, therefore, provided that when the act shall have been in effect one year and such associations have not been and are not likely to be formed in any locality the Federal Farm Loan Board may authorize Federal land banks to make loans on farm land through agents approved by said board. No other agent than a duly incorporated bank, trust company or mortgage institution, chartered by the Federal Government, or by the state in which it has its principal office, shall be employed as such agent.

Accelerating Public Opinion

In the amended bill appears the following provision:

It shall be the duty of the Federal Farm Loan Board to prepare from time to time bulletins setting forth the principal features of this act and to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm loans and the protection afforded debtors under this act, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of co-operative credit and organization. Said Farm Loan Board is hereby authorized to use a reasonable portion of the organization funds provided in section thirty-six of this act for the objects specified in this paragraph, and is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out said objects.

Government Deposits

Section thirty-four provides as follows:

That the Secretary of the Treasury is authorized and directed, upon the request of the Federal Farm Loan Board, to make advances or deposit for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such advance or deposit, bearing interest at the rate of 2 per centum per annum, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the direction of the Federal Farm Loan Board. The aggregate of all sums so advanced or deposited by the Secretary of the Treasury in any fiscal year shall not exceed the sum of $6,000,000 at any one time.

Federal Reserve System and Postal Savings

Section thirty provides as follows:

That farm loan bonds issued under the provisions of this act by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits.

Any bank of the Federal reserve system may buy or sell farm loan bonds issued under the authority of this act; any member bank of said system may accept time drafts against a deposit of such bonds as security; acceptances of a member bank thus made, or the direct obligations of such bank maturing within sixty days, when accompanied by farm loan bonds as collateral security not less in face value than the amount of such direct obligation, shall be eligible for discount by the Federal reserve bank of its district.

Section nine of the act of June 25, 1910, entitled "An Act to establish postal savings depositaries for depositing savings at interest, with the security of the government for repayment thereof, and for other purposes" (volume thirty-six, United States statutes at large, page 814) shall be, and the same is hereby, amended by adding a new paragraph at the close of said section, to read as follows: "Federal farm loan bonds authorized by the Federal Farm Loan Board and issued by any Federal land bank may be purchased by the trustees, in lieu of United States bonds or other securities, for the purpose of investing postal savings deposits under the provisions of this section. Whenever funds shall be withdrawn from postal savings depositaries for investment, the trustees are hereby authorized to purchase Federal farm loan bonds in the open market or from any Federal land bank authorized to issue the same; provided, that in no case shall such farm loan bonds be purchased at more than par, nor shall more than 30 per centum of the postal savings deposits be invested at any one time in farm loan bonds as herein provided."

DIFFICULTIES IN THE WAY OF DOLLAR EXCHANGE

Discussing the question of a bill market in New York, the Federal Reserve Bank of New York says, in its first annual report:

"The reserve bank and the market rate for the discount of such bills (acceptances) in New York has been for nearly a year, and is now, lower than the rate for similar bills in London. The relatively small volume of such credits which American banks have succeeded in making operative even under the unusually favorable opportunity which the war presents for their extension, is evidence of the difficulty which will be encountered in developing the acceptance business in the United States. Some of the fundamental difficulties are:

"1. The disinclination to break old banking connections.

"2. The difficulty of educating handlers of bills in distant places as to American credits.

"3. The lack of bill buyers in foreign countries, who will quote as low rates on dollar as on sterling bills.

"4. The natural prejudice of bill buyers in foreign countries in favor of a bill of known currency and against a bill of as yet unknown currency.

"5. The lack of men trained to exercise the judgment and financial responsibility required of them as managers of branches or agencies which American banks might establish in foreign countries.

"6. The inferior communications for both goods and mail between the United States and foreign countries as compared with those between Great Britain and foreign countries."

PRELIMINARY ARRANGEMENTS COMPLETED FOR THE KANSAS CITY CONVENTION

Col. Fred. E. Farnsworth, General Secretary of the American Bankers Association, paid a short visit to Kansas City last month for the purpose of going over preliminary arrangements with the local bankers for the annual convention to be held in that city next September. The Executive Committee of the Clearing House and the hotel committee got in touch with Col. Farnsworth shortly after his arrival and as a result of their conferences most of the details connected with the accommodation of the delegates, committees, etc., were practically settled. In deciding on these arrangements, advantage was taken of the fact that each of the two headquarters hotels—the Muehlebach and the Baltimore—is peculiarly adapted to certain purposes. For example, the Baltimore was found to offer the best facilities for registration, consequently that department of the convention work will be located in the Baltimore; while the committee meetings and Executive Council meetings will be held in the Muehlebach, which is better equipped to handle a large number of simultaneous gatherings. Section meetings will be held in both the Muehlebach and the Baltimore, and the sessions of the General Convention will be at the Auditorium.

A slight modification was made in the original plan of the daily meetings, under which entertainment was to be deferred until Saturday, thus enabling sessions to be held every day, including Friday. The Kansas City bankers feared that under such an arrangement most of the delegates would not stay for any entertainment on Saturday, and consequently it was decided to ask that the entertainment features be on Wednesday afternoon. As matters now stand, therefore, if agreed to by the Administrative Committee, there will be Executive Council and committee meetings on Monday, Section meetings Tuesday morning, afternoon and evening and Wednesday morning; and meetings of the General Convention Thursday and Friday. There will be no entertainment Tuesday evening, in order that there may be no interruption of the Section meetings; and it is believed that by this means the forthcoming convention will be more profitable to the delegates than ever before.

In connection with the hotel arrangements, it should be kept in mind that the Baltimore and the Muehlebach are diagonally opposite, which will make for compactness in handling the convention detail, and that there is ample hotel accommodation in Kansas City outside of the headquarters hotels, which will be carefully and intelligently handled by the hotel committee. In this connection it is gratifying to note that the Council of Administration of the Missouri Bankers Association, in a recent circular to its members, requested them "to refrain from unduly pressing their own wishes in the matter of superior hotel accommodations"; and that "those who attend the meeting from our own state (Missouri) co-operate with the Kansas City bankers, and particularly the hotel committee, by accepting assignments at the auxiliary hotels when necessary to do so for the convenience of visitors from other states."

The general program as discussed and arranged between the Clearing House Committee and General Secretary Farnsworth, subject to the approval of the Administrative Committee of the American Bankers Association, is as follows:

MONDAY, SEPTEMBER 25:

Morning—Committee meetings.
Afternoon—Executive Council meeting.
Evening—Get-together smoker at the Auditorium.
During the day those who desire may visit the Stock Yards; automobiles will be furnished for that purpose.

TUESDAY, SEPTEMBER 26:

Morning, Afternoon, Evening—Section meetings.

WEDNESDAY, SEPTEMBER 27:

Morning—Section meetings.
Afternoon—At 12.30 o'clock, an automobile ride to Longview Farm, one of the finest farms in the West and specially noted for its fine Jersey cattle and its string of fine carriage and saddle horses and polo ponies, which are the property of Miss Long.
The afternoon will be given over to cattle show and display of the horses, a barbecue or luncheon, good music and amusements, country circus, etc., through the courtesy of Mr. R. C. Long.

THURSDAY, SEPTEMBER 28:

Morning, Afternoon—First day's sessions of General Convention of the Association in the Auditorium.
Evening—Reception and ball in the Auditorium.

FRIDAY, SEPTEMBER 29:

Morning, Afternoon—Second day's sessions of General Convention in the Auditorium.
Evening—Concert.

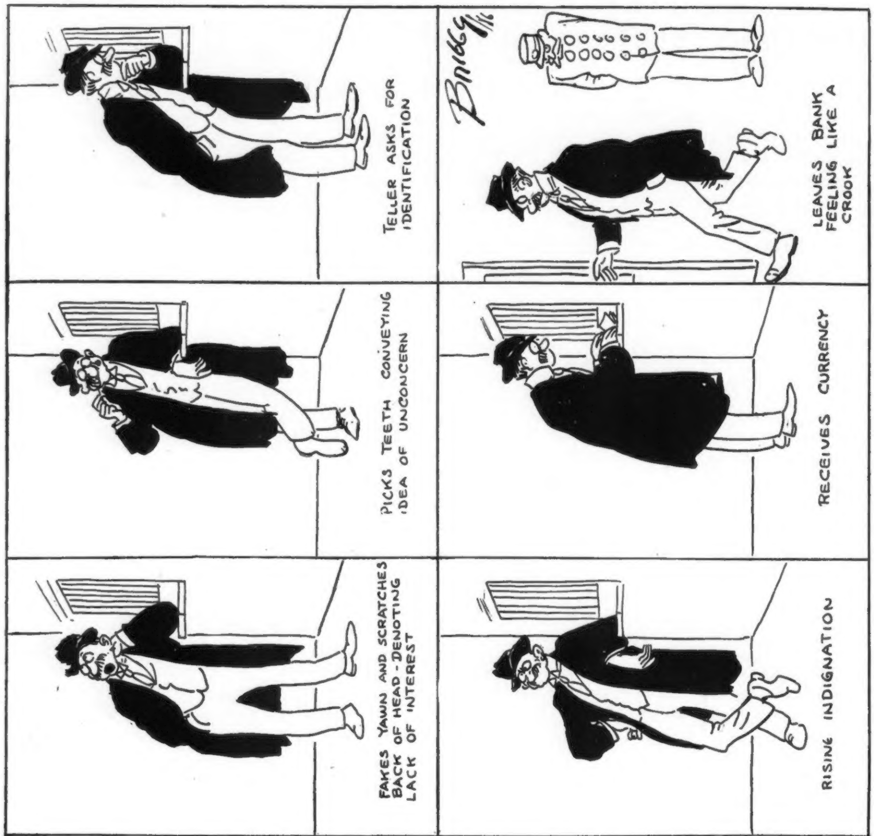
SATURDAY, SEPTEMBER 30:

Morning—Executive Council meeting.

Following the conference with General Secretary Farnsworth, the Kansas City bankers proceeded to the selection of sub-committees and the arrangement of other details. Members should write at once for reservations to the hotel committee, R. C. Menefee, chairman, care Commerce Trust Company.

The general supervision and management of the Kansas City Convention will be in the hands of the Executive Committee of the Clearing House Association. The Executive Committee is composed of George S. Hovey, president; E. F. Swinney, J. W. Perry, P. W. Goebel and W. F. Kemper.

Movie of a Man Cashing a Check :: :: :: :: :: By Briggs



THE OUTLANDER'S POINT OF VIEW.

(Reproduced by courtesy of the New York Tribune.)

Plans of Cotton States Bankers for the Financing of Farm Products

Resolutions Adopted at the Conference Held in New Orleans Contain a Concrete Outline of the Views of Southern Bankers in Regard to the Growing, Diversifying and Handling of Crops—Form of the Credit Statement that will be Asked from Farmers.

By JOSEPH HIRSCH
President Texas Bankers Association and Chairman Conference of Cotton States Bankers

THE second Conference of Cotton States Bankers was held at New Orleans, December 6 and 7, 1915, and was attended by nearly 200 bankers from the ten cotton producing states of the south. It will be remembered that the first conference was held in the city of Galveston, August 14, 1915, and was for the specific purpose of advocating the gradual sale of the 1915 cotton crop. The Galveston conference was called by Joseph Hirsch, president of the Texas Bankers Association, and the conference was attended by nearly one hundred bankers from the various southern states. The call for the Galveston conference was a direct result of the cotton warehouse campaign conducted by the Texas Bankers Association early in 1915, as a result of which Texas cotton warehouse capacity was increased to the extent of some 250,000 bales.

The Texas Bankers Association appointed a special cotton warehouse committee, which, operating through chairmen in the various sections of the state, conducted a vigorous and effective campaign. In order to spread the work of gradual marketing to all the southern states, the Galveston conference was called, and resolutions were adopted calling upon southern bankers to assist in the gradual marketing of the 1915 cotton crop, and calling the attention of southern producers to the fact that southern banks, backed up by the Federal reserve system, were amply able to take care of them and that special commodity rates were being offered on cotton properly warehoused and insured. The Galveston conference adopted a resolution calling for the second conference to be held in the city of New Orleans, at the call of the chairman, for the specific purpose of outlining a general program to be conducted by southern bankers during the year 1916.

The New Orleans conference was attended by the presidents of nine southern state bankers' associations, by the secretaries and members of the executive councils of many of the associations, presidents and deans of agricultural colleges, and by a very distinguished coterie of bankers and merchants who were specially delegated by the presidents of the various state bankers' associations. Frederick A. Delano, vice governor, and W. P. G. Harding, officially represented the Federal Reserve Board, while the Department of Agriculture was represented by Bradford Knapp, in charge of the United States demonstration work in the southern states, all of whom delivered notable addresses. The conference was also addressed by Clarence Ousley, Director of Extension of the Agricultural and Mechanical College of Texas, Sol Wexler, president of the Whitney Central National Bank, of New Orleans, Ernest M. Loeb, president of the Board of Dock Commissioners of New Orleans, Edwin Hobby, Chairman of the Seventh Banking District of Texas, who delivered a notable address on the Texas warehouse campaign, Jos. Cook, president of the Mississippi Normal College, and others.

The conference proceeded to permanent organization, adopting a constitution and by-laws, which had been carefully prepared, and which provide for representation somewhat along the lines of representation in the American Bankers Association. A unique feature is the method of financing the organization, which is provided by taxing each southern state bankers association at the rate of fifty cents per member bank. This will provide the Southern States Cotton Conference with about $4,000 for its initial year.

The presidents of the bankers associations attending had kept closely in touch with Chairman Hirsch during the interim between the Galveston and New Orleans conferences, and assisted in preparing the resolutions which were unanimously adopted by the conference. The outstanding feature, however, of the conference was that, after the adoption of the resolutions, the chairman called on each bankers' association president attending, who pledged his association, pursuant to ratification by his executive council, to the purposes outlined in the resolutions. The resolutions as adopted follow:

Resolutions Adopted

Whereas, The agricultural and commercial interests of the ten Southern States, Georgia, Alabama, Mississippi, Louisiana, Arkansas, Tennessee, Oklahoma, North and South Carolina and Texas, are practically identical; therefore be it

Resolved, That the efforts of the Bankers Associations of these ten states be co-ordinated by the permanent organization of the Cotton States Bankers Conference, comprising the Bankers Associations of the aforementioned ten states and the plan of organization, constitution and by-laws as presented to this conference be adopted as the basis of such organization.

Resolved, That this Conference of Southern Bankers, with no intention to stimulate speculation, but solely for the purpose of promoting agricultural welfare by the aid of safe banking, again directs the attention of cotton producers to the fact that the world has absorbed the 16,000,000-bale crop of 1914, that the crop of 1915 is reliably estimated as not exceeding 12,000,000 bales, and that with a rate of consumption which is reasonably certain to consume the present supply by the end of the cotton season, it is manifestly wise for farmers to offer their cotton slowly in order that they may receive the full economic value of their product. Attention is directed to the present strong condition of southern banks, which, with the discount facilities and the special rates offered on stored and insured cotton, are amply safe and entirely willing to assist southern farmers in marketing the remainder of the crop of 1915, provided only that the cotton be properly stored and insured in order to afford basis of credit acceptable in the discount markets. With cotton and by-products worth approximately

CREDIT STATEMENT, AGRICULTURAL

Name.. To the.. Bank

Address.. ....

For the purpose of obtaining a line of credit with you not to exceed $................................, I tender the following statement of my farming business as of....................................191......, and agree to notify you promptly of any change affecting my ability to pay.

PROPERTY OWNED BY UNDERSIGNED.				DEBTS DUE BY UNDERSIGNED.			
Cash in bank and on hand				Notes to bank			
Notes due to me				Notes to others			
Accounts due to me, good				Accounts due by me			
				Other debts			
TOTAL QUICK				TOTAL CURRENT			
Notes and accounts owed to me and past due, face value $ Cash value				Mortgages on Real Estate (list on reverse side) total			
Real Estate (list on reverse side) Total value				Other mortgages, judgments or liens (list on reverse side) total			
Machinery and Tools, (list on reverse side) $..............less depreciation........%, net value				on			
Live Stock (list on reverse side) Total value				on			
Food and feed and other crops (list on reverse side) value							
				Total Liabilities			
Total Assets				Net Worth			

STATEMENT OF FARMING OPERATIONS, OR CROPPING SYSTEM

CROPS AND STOCK TO BE PRODUCED.

Number in families on Farm.................... Number work hands.................... Farm is located where....................

.... Acres in Farm.................... Acres to be cultivated....................

Farm is owned by.. I am to pay as rent..

Acres in Corn (Legumes interplanted)..........	Acres in Peas or Beans..........	Acres in Vegetable Garden..........
Acres in Oats (Legumes following)..........	Acres in Forage crop and kind..........	Acres in Other crops and kind..........
Acres in Wheat (Legumes following)..........	Acres in Hay crop and kind..........	Acres in Pasture..........
Acres in Cotton..........	Acres in Potatoes..........	Acres in Bearing Fruit..........
Acres in Grain Sorghums..........	Acres in Rye..........	Total Acres..........
Number Beef animals to be marketed..........	Quantity Fresh Fruit for marketing..........	Quantity Fruit and Vegetables to be canned..........
Number Hogs to be fattened..........	Quantity Dried Fruit for marketing..........	Loads Manure to be used on crop..........
Number Sheep or Goats to be marketed..........	Quantity Poultry and Eggs to be grown..........	Tons Commercial Fertilizer to be used..........
Pounds Wool to be produced..........	Number of Cows in milk..........	

The Line of Credit is to be used for..

I solemnly declare and certify that the above statement and schedule on reverse side is a true and correct account of the condition of my Farming business on the day above stated.

Witness my hand and seal, this....................day of..191......

Witness: .... [SEAL]

....

NOTICE:—The character of the Cropping System of a farm business has a credit value, or a potential liquidating value of the highest importance to both the farmer and lender; and as farming is the annual investing of capital and labor at one place, safety requires, as in other investments, that all the capital and labor be not invested in one thing, or in the production of one crop.

Therefore, in general farming, a safe basis for farming, or for liquidating a loan, is laid when not exceeding 50% of the cultivated land of the farm is planted in one crop. Or, second, when sufficient acres of the farm, as shown by this rate sheet, are planted in food and feed crops, including the necessary poultry, milk cows and hogs, to supply the family and stock on the farm with food and feed, and to maintain the soil. And the balance of the cultivated land planted in crops for market, or for feeding stock for market.

$1,000,000,000 a year in the form of commodities which are non-perishable and do not deteriorate and which are world necessities, there is no reason why the chief money crop of the South should not be intelligently and economically financed and marketed.

Resolved, We recommend that each State Bankers Association in the South immediately organize a warehouse committee for the purpose of developing additional warehouse facilities in order that the crop of 1916 and future crops may be safely stored and insured as soon as ginned. Ordinary business prudence demands that cotton should be stored as soon as it is ginned and that farm debts should be paid by the financing of cotton thus stored, in order to prevent the enforced immediate sale of the crop during the early months of the season. We pledge ourselves by these means, with the co-operation of farmers, to use the utmost of our resources in promoting a selling season of twelve months instead of three or four months, and thereby to secure for our producers the legitimate price to which they are entitled, but which they can secure only by a process of warehousing and gradual marketing. We urge the warehouse committees of each Southern State, beginning January, 1916, to conduct a systematic campaign and to compile and publish statistics of cotton production and warehouse capacity in every cotton-producing county in the South, and we urge a close co-ordination of bankers, merchants, manufacturers and producers to this end.

Resolved, That this conference, through its chairman, with the approval of its executive committee, appoint a central committee on uniform cotton warehouse laws and that in the appointment of such committee the advice and co-operation of competent authorities, including both producers and buyers, be consulted, to the end that there may be finally offered for adoption by all the cotton states a measure fair to all interests which will result in uniformity of cotton transactions, financing and marketing.

Resolved, That all experience proves that one crop farming is unsafe both from the standpoint of prosperity and from the standpoint of banking credit. Experience likewise proves, and the passing year forcibly demonstrates in the South, that a system of farming which makes the raising of sufficient food and feed the first concern is safe farming, for, with food and feed assured, cotton is available for the paying of debts or for improvement or for accumulation, whether the price be high or low. In fact, with such a system of farming it will not be possible for the South to produce a cotton crop so large as to seriously depress the price of the product. The situation thus exhibited, to which the bankers of the South during the last twelve months have made such notable contributions of effort and influences, is an example which all southern interests and influences should endeavor to make the rule of southern farming. We submit that this method of farming is safe farming, and we invite the producers of the South to co-operate with us in making safe farming the basis of safe banking credits as contrasted with the system of cotton credit heretofore prevailing which has been unprofitable to the producers and often unsafe for the banker. In this connection we urge bankers and farmers to consider the plan recommended by the Department of Agriculture for the use of a farmer's rate sheet which will exhibit his assets and his productive methods in a manner similar to the rate sheets and statements furnished by merchants reflecting their assets and methods to the end that safe farming may receive financial accommodations at rates and upon terms as favorable as those furnished to commerce and industry.

Resolved, That in the efforts for the encouragement of safer farming and wiser marketing, the bankers committee of the several states co-operate with the extension forces of the agricultural colleges and the United States Department of Agriculture and other organized and recognized agencies for rural betterment, and that every county in the South be urged to secure an agricultural agent and a home demonstration agent under the co-operative agreement between the Department of Agriculture and the agricultural colleges, in order that scientific and economic methods may be encouraged by daily demonstration on the farm and in the farm home.

Resolved, That the bankers and farmers of the cotton states should address themselves individually and collectively to a study of the preventable waste in present methods of baling, handling and transporting cotton from the gin to the mill, and we submit for their consideration and emulation the Texas system of ginning, warehousing, grading and marketing under state supervision.

Resolved, That we favor the appointment of a strong central committee from this organization on publicity, to the end that the efforts of this conference be made effective by South-wide publicity, for we realize that without the support of the great newspapers of the country our efforts will be of little avail.

Resolved, That these resolution be printed and distributed among the Southern Bankers Associations, and that the jobbers and manufacturers of the South, as well as the educational institutions, be urged to assist in the distribution of the same to every nook and hamlet in the South.

Mr. Hirsch was re-elected chairman of the conference, with presidents of the other nine associations as vice-chairmen. Moorhead Wright, president of the Union Trust Company, Little Rock, Ark., was re-elected secretary. All officers act without compensation.

The chief purposes of the New Orleans conference—the carrying on of a vigorous safe farming campaign, the adoption of farm credit statements as a basis of farm credit and the construction of additional cotton warehouses in the South—are now being promoted under the auspices of special committees appointed by each of the southern states bankers associations. Many of the states are conducting exceptionally active campaigns along the line of safe farming, that is, the raising of sufficient feed and food products to insure southern farmer's self-support. The conference has advocated the uniform adoption of a farm credit sheet prepared by Prof. R. L. Bennett, of the Texas Agricultural and Mechanical College, which has the approval of the United States Department of Agricultural and of the Federal Reserve Board. The chief national bank examiner of Texas has requested national banks in Texas to adopt this form. It is hoped that similar action will be taken by national bank examiners and by state banking commissioners throughout the South.

An interesting feature of the meeting was the special organization of southern newspaper men, who agreed to co-operate with the Southern States Cotton Conference by a vigorous, concerted and continued campaign of South-wide publicity.

The form of credit statement for farmers approved by the conference is given on the preceding page.

MEMBERS OF FEDERAL ADVISORY COUNCIL

Members of the Federal Advisory Council of the Federal Reserve Board, notice of the election of whom has been received by the Federal Reserve Board from the Federal reserve banks, are as follows:

District No. 1—Boston—Daniel G. Wing, Boston, Mass.
District No. 2—New York—J. P. Morgan, New York City.
District No. 3—Philadelphia—Levi L. Rue, Philadelphia, Pa.
District No. 4—Cleveland—W. S. Rowe, Cincinnati, Ohio.
District No. 5—Richmond—J. W. Norwood, Greenville, S. C.
District No. 6—Atlanta—Charles A. Lyerly, Chattanooga, Tenn.
District No. 7—Chicago—J. B. Forgan, Chicago, Ill.
District No. 9—Minneapolis—C. T. Jaffray, Minneapolis, Minn.
District No. 10—Kansas City—E. F. Swinney, Kansas City, Mo.
District No. 11—Dallas—T. J. Record, Paris, Tex.
District No. 12—San Francisco—Herbert Fleishhacker, San Francisco, Cal.

DEVELOPMENT OF OUR DISCOUNT MARKET AND ITS RELATION TO FOREIGN TRADE

By PIERRE JAY
Federal Reserve Agent, New York

When we talk about extending our foreign trade what we usually have in mind is our exports; and our efforts in this direction are largely devoted to increasing our exports to distant debtor countries like South America, the Orient, British colonies and others. To retain the far larger markets of creditor countries in Europe no less care and effort is required. Nor should we overlook our imports as well. Trade, in the international sense, implies the exchange of commodities, and our imports must keep pace with our exports, otherwise we shall have such unwieldy balances as those we are now creating, which only the stress of war enables us to maintain.

The development of a discount market in the United States has a more direct relation, perhaps, to our imports than to our exports, for it will enable our importers to furnish letters of credit abroad more cheaply at times in dollars than in sterling. Heretofore our importers, unless large enough to maintain direct relations with a London bank or accepting house have had to procure their letters of credit through a bank in this country which has naturally charged a commission for guaranteeing the credit, in addition to the commission charged by London for issuing it. While the prospective course of exchange will always be the controlling consideration, the dollar credit, when it can be availed of, will often reduce the cost to the importer, will secure for American bankers the commission connected with it and will add much needed volume to our discount market.

With exports to countries or purchasers not demanding credit from the sellers, and able to furnish a bankers' credit against which our sellers may draw, the situation is substantially the same. Such purchasers in foreign countries will gradually establish such credits here and use them whenever they are cheaper than sterling or other credits.

The relation of the development of a discount market to our export trade with debtor countries is somewhat less direct. In dealing with such countries our manufacturers and exporters must be ready to extend credit there. While we usually buy from such countries for cash, we must usually grant credit on the goods we sell them. But our exporter does not wish to tie his working capital up in distant lands. He draws his bill on South America, but is not content to send it forward for collection ninety days or more after the goods are received. He wants to cash his sales just as quickly as he can. To do this he has been taking his export drafts to his bank and selling or obtaining advances upon them. The existence of a discount market permits this to be done in a new and perhaps cheaper way. If the acceptances of his bank have a ready market the exporter may now turn over to his bank his export drafts, with documents attached, and instead of asking for a loan may draw a draft at ninety days, or perhaps longer, upon the bank for the amount desired and authorized, and sell it in the open discount market. In this way the bank makes a commission without using its funds and the exporter obtains his advance probably more cheaply than under the former plan. Already many of the acceptances purchased by the Federal reserve banks have been of this nature.

Knowledge of Foreign Credits

Whether the accepting bank grants such credit primarily on the strength of its customer, the exporter, or of the foreign purchaser, depends on its knowledge of the credit of the latter and the authority under which the draft is drawn. In any case, unless arrangement is made to draw without recourse, which is rare, the exporter stands obligated to his bank even though the goods may have passed out of their control.

When the acceptance matures the exporter must have funds in bank to meet it. If the proceeds of the goods delivered in a foreign country have not been received an extension may be arranged by drawing on the bank a second time and selling the draft, when accepted, in the open market.

It should be clearly understood that drafts drawn by exporters on foreign merchants for goods sold to them, while strictly commercial and negotiable by American banks and institutions, will not sell in the open discount market because they are to be accepted payable in a foreign country. The kind of bills which constitute our discount market are naturally bills drawn in dollars and payable in the United States. It is particularly in the case of such transactions that foreign branches of American banks or foreign-trade banks will assist. Through their branches, agencies and correspondents they will be able to have accurate knowledge of the standing and credit of the foreign merchant and will be ready to negotiate drafts on good foreign acceptors, or act as the medium for the collection of such drafts and the transmission of the proceeds to this country. It would be impossible for the many thousands banks in this country to keep themselves accurately informed as to the standing of foreign purchasers of American goods all over the world. Foreign-trade banks and the American banks with foreign branches equipped especially for this purpose are the natural and safe channels through which such drafts should pass from all points in the United States. Through these media, therefore, American exporters and American banks will be enabled to accommodate their customers with a minimum amount of risk, each doing its share toward facilitating the export business of the United States.

In any case, the exporter wishing to negotiate his export drafts must, either directly or through his local bank, establish satisfactory relations with the institution through which he expects to realize upon them. No way is likely to be devised whereby the drafts themselves can be realized upon in the open market.

Foreign Branches a Partial Expedient

It has been suggested that Federal reserve banks should establish branches or agencies in countries in which we are seeking to expand our trade, in order to facilitate its movement. It would seem, however, as though this could be at best a temporary and partial expedient. Federal reserve banks acting as the depositaries of the banking reserves of the country, with their investments properly limited to discounts of the most liquid nature, principally bearing the indorsement of other banks, should not go into foreign countries to extend or assist in extending credit direct to foreign merchants. For Federal reserve banks to establish agencies in these countries merely for the purchase of dollar bills would be to undertake a service for which the volume would not provide for the expense. We should look ahead and organize branches, or agencies, in which our national, state and private bankers may participate, which may operate without restriction in such countries and give them the varied service and help they require. Part of their regular business, and one of the safest parts, will be the purchase of dollar bills and the establishment of reserve bank agencies to purchase such bills would have a distinct tendency to discourage the establishment of branches of trade banks with their far broader functions and usefulness. Federal reserve banks can facilitate the purchase of dollar bills in foreign countries by whatever agencies may now or hereafter exist by quoting forward rates at which they may be discounted on arrival at the United States. The Federal Reserve Bank of New York has offered to quote forward rates to the leading bill buyers when desired, and has done so in a number of instances.

Not a Panacea for Trade Problems

The London discount market consists primarily of bills drawn to finance foreign trade, and the development of our discount market is likely to be along similar lines. Therefore it bears a direct relation to our foreign trade. But it is not in itself a panacea for our foreign trade problems nor will it by itself even stimulate foreign trade expansion. We should have no discount market worthy of the name without foreign trade; but for years we have had a vast foreign trade without any discount market whatever. The discount market is a tool whereby we may facilitate and finance at home our foreign trade and an international medium whereby the ebb and flow of credit between nations may be equalized. Through it those methods will gradually evolve which are best adapted to financing our foreign trade, and foreign funds will be attracted here to relieve periodical credit strains. Just as the Federal reserve note was designed as a safety valve in currency strains, so the discount market was contemplated by the Reserve Act as a safety valve in credit strains, enabling us to exert some control and regulation of our gold position. While its development will be accelerated by the growth of the very trade which we desire to facilitate, its development seems likely to be accelerated even more by the establishment of the kind of agencies before referred to, through which the extension of both short and long time credit may be made or encouraged in countries needing it, so that in time we may become an important settling center, like London, towards which funds are always flowing and on which dollar exchange is everywhere as current as sterling.

The permanence of our position as bankers for our own trade will depend largely upon the skill with which we create facilities at least equal to those enjoyed by our competitors, and upon the assurance which we can afford to the world that a bill drawn in dollars for acceptance by an American bank can be converted into cash in any part of the world with any bank in the world, either American or foreign owned, at rates of exchange which are stable and dependable and upon the like assurance that such bills, when accepted, can be converted into cash here at rates at least as low as those prevailing in any other money centers of the world.

OFFICIAL BADGES

A few of the official badges are left over from the Seattle convention. They will be sent to members on written request to the General Secretary, until the supply is exhausted. Application for the badges will be honored in the order in which they are received.

JOURNALS OUT OF PRINT

The August, 1908, issue of the JOURNAL-BULLETIN is out of print. Members having copies of this issue which they do not care to preserve should send them to the Association offices at 5 Nassau Street, New York. Twenty-five cents per copy will be paid.

ANNUAL REPORT OF THE FEDERAL RESERVE BOARD

The Federal Reserve Board on February 14 submitted to Congress its second annual report, for the period ending December 31, 1915. It consists of two parts, the first comprising the general outline and review and the second consisting of tabulated reports of Federal reserve agents and statistics. The main section of the report is as follows:

The first annual report of the Federal Reserve Board, rendered in accordance with the requirements of section 10 of the Federal Reserve Act, was transmitted under date of January 15, 1915, at a time when the Federal reserve banks had barely begun active business operations. The board herewith submits its second report, the first that permits a review of the actual operation of the new system.

General Condition of Money Market

A condition of remarkable ease has been the outstanding feature of the money market of the country during the first year of operation under the Federal Reserve Act. Whatever other causes may have contributed to this result, much of it is due to the stability established and the feeling of security inspired, by the new banking system; so much of it, indeed, as to afford a striking vindication of the wisdom of the law and the efficiency of the agencies of its administration even in advance of the fuller development of their activities. The test of a banking and financial system is its operation, and its administration should constantly be subjected to this test. More than a year will, of course, be needed for this purpose. The year which has passed, however, has, owing to the continuance of the economic disturbances and financial uncertainties engendered by the European war, been of more than ordinary significance in supplying experience of the kind that tests the strength of a financial and credit system, and deserves, therefore, extended notice as a period of importance in the history and working of the Federal Reserve Act.

The year 1915 has been a period of marked and sudden transition. In almost every department of financial life conditions have been completely altered. At the close of 1914 foreign commerce was uncertain, business conditions depressed, manufacturing conducted upon a somewhat restricted basis, a considerable floating indebtedness to foreign countries had still to be liquidated, the commodity exchanges of the country were either closed or operating under very great limitations. Today the export trade of the country has reached the high-water mark, manufacturing is active in nearly all lines and in nearly all sections of the country. Demand for practically all agricultural products is strong, the commodity exchanges of the country are open, depression in business life has given way to a condition of extreme activity.

Growth of Export Trade

The financial history of the year has been to an unprecedented extent founded upon development of the export trade of the United States. That trade, which had been in many departments almost prostrate immediately after the opening of the European war, promptly recovered its vigor in many branches, so that during the early stages of the year's operations, terminating about February, 1915, a surplus of exports, largely of agricultural products, was used to liquidate floating indebtedness existing at the opening of the war. This debt the board soon after its organization estimated at about $500,000,000. Subsequently large surpluses of exports have been paid for to a considerable extent through the return of American securities held by foreign owners. Still later, the international balances resulting from continued purchase of goods were settled largely upon a credit basis, aided by sales and transfers of securities sent by foreign owners to the United States. It has been only within the past few months that there can be said to have been restoration of general activity resulting in the development of conditions likely ultimately to be reflected in demands upon the Federal reserve banks. There has been within the past few months a very great expansion of loans and deposits by member banks, as is shown by the fact that, whereas the combined loans of national banks were $6,347,636,570.27 at the end of 1914, they were, on November 10, 1915, $7,233,928,973.15; while total deposits between the said dates have increased from $8,236,468,374.36 to $10,157,472,691.86. These facts would seem to indicate that it is prudent to be prepared for a time when the reserve resources of the country will be subjected to a severe test and when the leadership and the operations of the Federal reserve banks will become correspondingly more influential.

Definition of Paper

The board has devoted itself to a definition of different classes of paper which, under the terms of the Federal Reserve Act, may be considered eligible for discount at Federal reserve banks, seeking to classify and describe the various kinds and to fix the qualifications of eligibility upon a reasonable and unmistakable basis which should make clear to the commercial world the conditions to be observed in dealings with Federal reserve banks. It has prepared with great care regulations fixing conditions under which banks other than national may be admitted to the system, in order that state institutions may have adequate opportunity to join and ample notice regarding the conditions under which they may be admitted to membership.

The board has given much attention to the adoption of appropriate measures designed to facilitate the movement of exports and to others intended to promote the ready movement of crops. All this has been done upon a basis furnished by the general work previously accomplished in defining commercial paper and in issuing standard regulations designed to describe the essential elements of the principal types. Very satisfactory results have been accomplished through these efforts. The crop-moving season has been unusually easy with exceptionally little strain or indication of stringency in any locality. The process of financing an enormous and abnormal movement of exports has proceeded without shock. The development of the bankers' acceptance, by means of which American institutions are beginning to occupy a leading place in the financing of the world's international trade, has gone steadily forward. The total amount of such acceptances outstanding at the close of the year 1915 is estimated at fully $100,000,000—an auspicious beginning in this branch of business and one of significant importance, not only with regard to the service rendered to many who would otherwise have suffered from the withdrawal of European credit facilities, but also because of the valuable field of investment thereby opened to the Federal reserve banks themselves. Much, nevertheless, remains to be done. Conditions in the principal financial markets of Europe have been such that the Board has not deemed it wise to encourage the several reserve banks either to establish agencies abroad or to embark actively upon foreign exchange transactions. The coming year will see large progress in all of these respects. Foreign banking operations in some fields at least, it is hoped, will not be long deferred; and as business returns to a normal condition abroad, this branch of the operations of the Federal reserve banks will steadily and rapidly expand.

The operations of the banks have been limited in their scope by the fact that there was a great volume of fluid resources, due partly to the release of reserves which occurred simultaneously with the opening of the banks and partly to general conditions which have relieved the reserve institutions of demands that would otherwise have been brought to bear upon them, the most striking feature of which is the great inflow of foreign gold into the United States in consequence of enormous sales to foreign countries. In consequence of these conditions the direct discounts of reserve banks for member banks have at no time been much in excess of $30,000,000, notwithstanding that practically every type of commercial paper available for discount at Federal reserve banks has been defined and described. Believing that until a firm basis for discount operations had been laid and the organization of the Federal reserve banks completed it would be wise to defer any general provision for open market operations, the board during the early part of the year confined its instructions and regulations to those classes of open market operations which were deemed most immediately essential. Included in this category were purchases and sales of Government bonds, bankers' acceptances and municipal warrants. More recently, in a letter of October 8, confirmed by a circular and regulation of December 6, the board issued to the reserve banks a circular and regulations, as the result of which the several institutions are now authorized to purchase, at rates to be fixed by them within certain limits prescribed by the Federal Reserve Board, all those classes of bills of exchange which are by the act made eligible for rediscount. It may be noted that, as shown by analysis of the combined statement of all Federal reserve banks, more than 75 per cent. of the aggregate investments held by them have been obtained through open market operations in Government bonds, warrants, acceptances and commercial paper. They have, therefore, open to them a wide field of operation, and there is today no reason why they should not employ their resources as largely as prudence and the requirements of good banking dictate.

Discount Policy

The board has endeavored during the past year to develop a consistent discount policy, graduating its rates according to the maturity and character of paper discounted or purchased in the open market. Beginning at the opening of the system with a comparatively high rate for ordinary commercial paper and with more or less variation between the different districts, the reserve banks have, during the year, steadily reduced the general level of discount rates and have worked rapidly and effectively toward uniformity for the entire country. It may not be practicable to maintain uniform rates throughout the twelve districts, but they should unquestionably bear a consistent relation one to another, while a very much greater adherence to uniformity than before the enactment of the Federal Reserve Act will undoubtedly be secured. At the close of 1915 the lowest rates made by the Federal reserve banks for any class of paper were those on bankers' acceptances, approved by the board at from 2 to 4 per cent., but running in actual practice only a little above the lower limit thus stated. Trade acceptances at a prevailing rate of about 3½ per cent., very short-term maturities for ordinary commercial paper at 3 to 3½ per cent., and longer term paper up to ninety days at a general level of 4 and 4½ per cent. were the outstanding features of the discount-rate situation. The fact that commodity paper, that is, notes and bills secured by readily marketable staples, has been acquired in large amounts between 3 and 3½ per cent., and that long-term agricultural paper has, subject to the restrictions of the law, been freely taken by the reserve banks wherever offered, shows what the system can do for the agricultural short-time borrower.

More immediately important to the actual borrower than the rates maintained at the reserve banks are those established by the member banks for their customers. It is an undoubted fact that rates for good commercial paper have never approached so uniform a level in the United States as during the last year—a condition due to a variety of circumstances, prominent among which is the operation of the Federal reserve system. It is as yet premature to speak positively on this subject, inasmuch as lending conditions and interest rates of the year 1915 are not to be regarded as normal. There can, however, be no doubt that during the year the effect of the Federal reserve system, heightened as it has been by the steady inflow of gold from foreign countries, has resulted in a material reduction and marked approach to uniformity of rates throughout large sections of the United States.

With our vast export trade giving rise, as it does, to an enormous quantity of foreign bills; with the gradual growth of the practice of drawing documentary bills against domestic shipments; and with the increasing tendency on the part of business men to put their paper into the trade acceptance form in lieu of the promissory note, the Federal reserve banks should have no difficulty in amply supplying themselves in due time with such amounts of paper as they may deem desirable. Up to the present time it is the judgment of the board that the banks have acted prudently in abstaining from entering the foreign field or from engaging more actively in open-market transactions than they have. Money rates have been unprecedentedly low, and any attempt of the Federal reserve banks to attract business by further reduction of their rates might only have produced a further depression of rates and increased the danger of inflation of credit without, at the same time, bringing additional business to the Federal reserve banks. Under ordinary conditions the power to engage in open-market operations will be an important factor in the control of discount rates by the Federal reserve banks.

The policy of the board, for reasons already indicated, has been one of conservatism. When prevailing money rates harden, as they may be expected to in time, it will be the policy of the board to encourage the Federal reserve banks, through the active purchase of paper and the increase of investments, to release funds, and thereby steady rates at what it conceives to be the normal level.

Banks as Fiscal Agents

Another important step toward the enlargement of the scope of the reserve banks and the complete enforcement of the Federal Reserve Act was taken by the Secretary of the Treasury on November 23, when he designated the reserve banks as fiscal agents. Under his direction there were transferred, on January 1, 1916, to the reserve banks funds already on deposit with the member banks in the Federal reserve cities, an aggregate of about $9,000,000. Thus has been begun the important fiscal reform of receiving and disbursing the funds of the United States through the Federal reserve banks.

Cotton Crop Movement

Because of the difficult international conditions, the Federal Reserve Board early in the summer felt that it would be advisable to be prepared for any contingency that might arise in connection with the marketing of the cotton crop. Fears for the situation were widespread in the South, some pessimistic observers predicting a repetition of the disastrous experiences of 1914. The board, therefore, in June, 1915, appointed a special committee to study the condition and needs of the cotton-growing districts. The committee ascertained that the cotton acreage had been greatly reduced and that food

crops had been planted to a greater extent than in previous years, and it was not long in reaching the conclusion that the yield of cotton would be much less than was the case in 1914. Finding the storage facilities for such portion of the crop as might have to be carried over generally adequate, it recommended the creation of a special kind of accommodation to assist those producers who, having made their crop, might desire temporarily to withhold a portion of it from the market. The committee entertained the view that warehouse receipts for cotton, grain and other staple, non-perishable agricultural products of a readily marketable character form an excellent basis for bank loans, particularly as under the terms of the Federal Reserve Act and the regulations of the board notes thus secured are eligible for rediscount by Federal reserve banks.

During the summer the committee developed a method by which producers could secure low rates upon loans secured in this manner, and in order to encourage co-operation between member banks and producers, the board issued on September 3, 1915, its regulation on commodity paper, which provided that notes secured by non-perishable staple commodities and having not more than ninety days to run, and upon which member banks had not charged a rate of interest or discount, including all commissions, of more than 6 per cent. per annum, should be eligible for rediscount in Federal reserve banks. It should be especially noted that this commodity rate, so called, was not confined to any section of the country or to loans secured by any one commodity, but was general in its nature. It applied not to cotton alone, but to other staple products, such as grain, tobacco and wool. It was, in fact, adopted by several of the reserve banks, some of them, however, receiving but little business under it owing to the abundance of funds at member banks. During the month of November the southern reserve banks converted many of their loans into the commodity form, such loans rising at one time to $10,500,000, $7,500,000 being the volume outstanding on December 30, 1915.

The effect of the commodity paper regulation was mainly anticipatory and protective. The certain assurance that whatever funds might be necessary for the gradual and orderly marketing of the cotton crop would be available at moderate rates had an immediate and stimulating effect on sentiment. Other factors which contributed to the same result were the evidences of an early and active buying movement and the realization that the cotton yield would be much less than that of 1914. Within sixty days prices advanced from eight cents to twelve cents per pound. There was a steady movement of the staple to primary markets, the price of cotton seed advanced to a figure that added from $20 to $25 a bale to the farmers' income, and comparatively little cotton had to be carried by banks for producers.

Currency Movement

The fact that there has been no demand for interbank rediscounts, and that the autumn season has passed without the usual stringency due to the necessities of crop moving, point conclusively to the benefits derived from the Federal reserve system. It is quite true, as has often been observed, that the great release of reserves under the Federal Reserve Act produced an unusual ease of money the country over. This general ease, however, would not of itself have solved the difficulty of crop moving, or have met the regularly recurring currency requirements of the various agricultural sections of the country. These requirements have been met during the present year without the great movement of currency that has been necessary in former years, and at a very greatly reduced cost to the community. This favorable result is largely due to the operation of the national clearance system conducted by the board by means of the gold settlement fund at Washington. This fund now aggregates about $80,000,000, and since the beginning of June, when it was inaugurated, about $1,000,000,000 have been cleared at a negligible expense of $1,000. The benefits derived in this connection are a conclusive demonstration of the merits of the reserve system in disposing of one of the nation's most troublesome and most discussed financial problems of former years.

Foreign Borrowing

In the course of the year's operations the board has received many inquiries with reference to its attitude toward foreign borrowing in the United States and its policy with reference to the obligations of foreign governments. The subject has received careful attention, and the board has reached the conclusion that its province should be primarily that of overseeing the regular business operations of the Federal reserve banks without endeavoring to direct them. It has further reached the conclusion, supported by competent legal advice, that the purpose for which goods are sold or exported, or the use to which such goods are ultimately put, does not fall within its province or jurisdiction. If the transactions which have given rise to such sales or shipments are of a true commercial nature, if the basis upon which they rest is such as to comply with the requirements of the Federal Reserve Act, and if the maturity of the loan falls within the limitation of the law, then the paper growing out of them, no matter by whom or for what drawn, may at will be discounted by Federal reserve banks, and must be regarded as falling within the legitimate sphere of their operations. The Federal Reserve Act makes no provision for collateral bond or stock loans, or for the purchase of foreign governments' obligations by reserve institutions. Neither such obligations, therefore, nor loans to member banks based thereon are eligible as investments for Federal reserve banks. The operation of the reserve system is a matter of business to be conducted in accordance with the terms of the Reserve Act and the regulations of the board. It is not the province of the board to deal with problems involving international relationships of the United States, either for the purpose of restricting or extending exportations in one direction or another. The eligibility of paper for reserve banks is determined by considerations which are as valid under one set of international relationships as another; the function of passing upon and dealing in such paper under these regulations belongs to the several reserve banks. The board, however, believes that the financing of the country's export trade is at the present time one of the most important financial problems with which the nation has to deal; and it is of the opinion that Federal reserve banks cannot, even if they would, avoid the responsibility of assisting in this process of financing what legitimately and properly devolves upon them.

Standardization of Commercial Paper

The belief of the board that the Federal reserve banks are now in position to render efficient service in the event of stringency is in no small part based upon the response of member banks to the efforts of the board in standardizing and unifying types of commercial paper and borrowing practices. It was a current remark when the Federal Reserve Act was under consideration that member banks would find but little of the kinds and maturities of paper made eligible for rediscount. Experience has shown the exaggerated character of this view, but it has also shown the desirability, not to say necessity, of securing a thorough standardization of paper in order that those items which might perhaps be open to technical objections should be plainly and obviously brought within the requirements of the law, and in order that member banks may obtain experience and facility in carrying through rediscount operations. In this regard much progress has been made; and many banks which believed at the opening of the year that

no considerable part of their paper would be available for rediscount now recognize that a substantial proportion of it either is already eligible or may easily be made to comply with the provisions of the law. With the aid and co-operation of Federal reserve agents, country bankers have been made acquainted not only with the terms of the act, but with the board's regulations, and it is believed that in the event of necessity the flow of paper to Federal reserve banks for discount with a view to obtaining additional accommodations will be prompt and will continue steady.

The regulations of the board have been prepared with a view to the necessities of practically every part of the country, including both agricultural and city constituencies, and there is now no reason why prompt and ready relief should not be rendered at any moment of difficulty, or why regular relations should not be maintained with member banks desiring accommodation in the furtherance of their business. The reserve banks are, in short, living and active members of the banking community, and have not only done a creditable amount of business thus far, incidentally relieving many strained and difficult situations, but have prepared the way for a very much larger scope of activity in the event of necessity. Meantime they have had a most important influence in securing reasonable rates for rediscounts to member banks from their correspondents. They have performed both an educational and a commercial function. In the further and progressive development of their reserve functions under the Federal Reserve Act they have, in accordance with the terms of the act, received from member banks, under date of November 16, an additional installment of reserves, amounting from country banks to one-twelfth and from reserve city banks to one-fifteenth of their total required reserves. Some member banks, recognizing the wisdom of maintaining the reserve institutions in as efficient a condition as possible, have already adopted the practice of keeping with their reserve bank excess balances over and above their minimum required reserves. For all these reasons the reserve banks find themselves in much stronger position than they were a year ago, the aggregate of their gold and lawful money being $345,260,000 on December 31, as against $229,069,000 on the same date a year earlier. It is hoped that as the system further develops member banks may, both as a matter of convenience to themselves and in order to strengthen their Federal reserve banks, adopt the plan of keeping with their reserve banks larger excess balances.

Unification of Banking

In this process of developing the reserve power, of cultivating good relations with member banks, of educating their members to a recognition of the true theory upon which the reserve system is founded, and of otherwise carrying on the larger purposes aimed at by the Federal Reserve Act, the board has been mindful of the delicate and important duty of unifying, so far as possible, the banking system of the country—a duty plainly imposed upon it by the provisions of the statute. This duty has presented itself in two ways—in the broadening of the power of national banks in such a way as to afford them such advantages as were deemed consistent with safety and in the admission of state institutions to membership in the reserve system. It was no doubt the view of the framers of the Federal Reserve Act that, because of the admission of state institutions to the full advantages of the law, national banks should be in some measure compensated by the granting of certain auxiliary privileges—the reduction of reserves against savings accounts, the extension of the power to act as trustee, executor, administrator, etc., and in other ways. The board, however, deemed it essential that such grants of fiduciary authority should be made only to those institutions whose past record and present condition are such as to furnish evidence of their worthiness to be thus recognized. It has instituted careful examination into the condition of each institution making application for such powers and has not scrupled to reject the applications of many banks which, although in a sound and solvent condition, were not considered to fulfil the several requirements of worthiness from a fiduciary standpoint.

It is with regret that the board reports that its action in thus granting the powers authorized by the Federal Reserve Act to national banks has been the subject of much criticism and opposition on the part of a number of trust companies even in those states in which trust companies are engaged in the business of comercial banking in direct competition with national banks. Suits have been instituted in two or more states to test the constitutionality of section 11 (k) and to prevent by injunction or otherwise the exercise of the powers of trustee, executor, administrator and registrar of stocks and bonds by national banks, either on the ground that the act is unconstitutional or that the exercise of these powers is in contravention of the laws of the state in which such national banks are located. Advices have been received that similar suits will be brought in other states. The board has authorized its counsel to intervene in these cases; to file briefs in support of the constitutionality of the act; and to appear and argue the questions involved when this course is deemed necessary or advisable. Every effort will be made to obtain an early adjudication of this important question by the Supreme Court of the United States.

A somewhat similar, although less marked, situation has developed with respect to savings accounts. Under regulations carefully developed by the board, it has been sought to limit the number of accounts against which reduction of reserves to 5 per cent. has been permitted to those which are beyond question what they profess to be, the reduction, therefore, involving no element of danger to the liquid condition of the banks. Despite this care, some state officials have considered it their duty to attempt to restrict the development of the savings function by national banks, and in California this attitude has been carried so far that the board has recommended to the local Federal reserve bank the institution of injunction proceedings, designed to protect the rights of the member banks. A similar condition of affairs exists with respect to the other branch of the process of unification—that relating to the admission of state banks and trust companies to membership. The board has nevertheless deemed it wise to offer to all eligible state institutions the utmost freedom in associating themselves with the system, in order that there might, if possible, be developed a uniform banking system embodying as large a proportion as possible of the eligible commercial banks of the country under a single general oversight for the same general purposes—the prevention of stringency or financial difficulty and the strengthening and enlargement of the financial resources of the country. After full investigation, the board, therefore, decided that state banks should be given, subject to suitable restrictions, the privilege of withdrawal from the system at their own option, and has in other ways endeavored to facilitate the process of affiliation. While the attitude of state banks and trust companies has been such that but thirty-two have been admitted to membership, eighty-four others have become members by conversion or by reorganization as national banks during 1915. This number, moreover, includes some of the best institutions in the country.

It is a regrettable fact that in not a few states reserve requirements for state banks and trust companies have been materially lowered by legislative enactment since the adoption of the Federal Reserve Act. The only justification for the reduction of the reserve requirements for national banks is the fact that the national banks are members of the Federal reserve system and that the Federal reserve banks hold a part of

the consolidated reserves of the national banks and are, therefore, in position to come immediately with all of their resources to the support of the national banks in case of necessity or emergency. In other words, the entire strength of the Federal reserve system is substituted for the reduced reserve requirement of the national banks. On the other hand, where the state banks and trust companies have reduced their reserves to the same level as the national banks without becoming members of the Federal reserve system, such state banks and trust companies have not available to them the strength and resources of the Federal reserve banks as a substitute for their lowered reserves. This is an element of danger in our banking system, because the weakening of the reserves of the state banks and trust companies makes them more vulnerable in times of emergency, and it is conceivable that a situation might arise in the affairs of such state banks and trust companies where they might have to call upon the credit structure of the national banks and the Federal reserve system for support when they would not be entitled to it because they had not contributed to the strength of the Federal reserve system by taking membership in it. The board is giving serious thought to this question and to the action that may be taken to guard against the consequences of this situation. In the meantime the board is firmly of the opinion that the states themselves should, instead of permitting a reduction in the reserves of state banks and trust companies, require them to maintain reserves higher than the reserves of national banks so long as such state banks and trust companies do not become members of the Federal reserve system. It is scarcely necessary to say that the credit resources of the country would be greatly enlarged and strengthened, with corresponding benefit to business and to all the people of the country, if the state banks and trust companies should be welded together with the national banks in the homogeneous and well organized banking system provided by the Federal Reserve Act.

It would be regrettable if feelings of state or local pride should lead any of the states into competition with the Federal reserve system such as would prompt them to lower their own banking standards or reserve requirements with a view of enabling or inducing state banks to refrain from taking membership therein. The board is satisfied that state banks gain in safety and that the states sacrifice none of their prerogatives or powers when such banks become members of the Federal reserve system, and therefore expresses the hope that no seeming divergence of interest will be permitted to impede the establishment of higher standards of banking.

Clearings and Collections

Section 16 of the Federal Reserve Act made general provision for the establishment of a system of clearance of check throughout the United States, each Federal reserve bank being required to act as a clearing house for its members if directed by the Federal Reserve Board, while the Federal Reserve Board was authorized to clear for the reserve banks themselves.

The board had from the first recognized its duty to make this provision of the law effective as fully and at as early a date as conditions would permit; and in its first report spoke of this as "one of the most important responsibilities with which it is charged under the act." So, regarding its duty in this particular, it undertook early in 1915 the preparation of a general circular and regulations intended to provide for the clearing of checks within the several Federal reserve districts, while it also took under advisement the establishment of a gold settlement fund at Washington for the purpose of clearing obligations between Federal reserve banks. The latter undertaking has been carried to a successful conclusion and the gold settlement fund has been in full and satisfactory operation since about the first of June. The board, however, had not advanced far with its work relating to the intradistrict branch of the clearance system before technical and other difficulties began to make their appearance. Many banks, both city and country, throughout the system were opposed to the enforcement of the provisions of the law because of the loss of exchange charges which would thereby be entailed upon them. Legal questions were also raised, it being argued that there is no power to compel a member bank not located in a Federal reserve city to pay or have charged to its account at the Federal reserve bank of its district a check which it had not seen and approved prior to the time of presentation at its own counter. For the purpose of ascertaining the board's powers in this connection the opinion of the attorney general has been requested.

While the board was not inclined to attach undue importance to objections based upon self-interest, it felt that it must take cognizance of all legal objections, and it recognized that the clearing question was essentially a reserve problem rather than a technical problem or a mere matter of administration. Inasmuch as the Federal Reserve Act had granted a period of three years within which to effect the final transfer of reserves to Federal reserve banks (balances with correspondents counting as reserves in the meantime), there was a certain ground for objection to the immediate introduction of complete clearance at Federal reserve banks. As is well known, reserve balances in some reserve cities have heretofore been used for the purpose of providing for exchange and collection operations, and so long as this function on their part continued there was some argument in favor of deferring any compulsory application of par clearance at the reserve banks. Study of the problem, moreover, shows that, pending the time when state banks enter the system in larger numbers, it may be necessary for some member banks to collect and clear through their correspondents in such cities.

So complex was the situation and so serious the difficulty involved in the compulsory application of any system, however carefully conceived, that the board felt it would be well if member banks could be brought to recognize of their own free will the advantages of a general and nation-wide clearing system—advantages which would inure not only to the benefit of the public at large, but ultimately to the direct benefit of the member banks themselves from the purely business standpoint. It therefore took under favorable consideration the question of a voluntary clearing system. Both the difficulties of a compulsory plan and the probable merits of a voluntary system had been strongly represented to the board by the governors of the respective Federal reserve banks who at various meetings had thoroughly canvassed the whole situation. Under a plan proposed by the governors, which in most districts became effective during June, 1915, provision was made for the acceptance at par by the Federal reserve bank of each district of checks drawn upon any member bank of that district which had previously assented to the provisions of the scheme. It was hoped that a very large number of member banks would promptly affiliate themselves with the new system of clearing and that the natural force of economic competition would ultimately attract to it those who at first might have hesitated.

This system, as already stated, became operative in most districts during June, 1915. Prior to this whole discussion, however, two districts had already undertaken the application of the clearing provision of the law. Early in December, 1914, district No. 10 and district No. 8 (Kansas City and St. Louis) had sought and obtained permission to apply a complete system of required clearing to their members. This system had been in full operation in both districts prior to the general application of the voluntary system. Upon the inauguration of the latter the directors of the Federal Reserve Bank of St. Louis deemed it wise to offer to their member banks the option of withdrawing from the clearance system if they so desired; but so successful

had been the working of the plan that comparatively few retired, about 80 per cent. of all continuing their membership. The Federal Reserve Bank of Kansas City continued its required system as before for the benefit of all its member banks, numbering 950. As about 365 banks continued their membership in the St. Louis district, a total of approximately 1,300 was included in the clearing system of the two districts in question. Outside of these two districts about 1,100 member banks voluntarily affiliated themselves with the clearing system within a short time after its inauguration, and there was a subsequent net inward movement of about fifty additional members, making approximately 1,150 banks which of their own free will have assented to the voluntary clearing plan. This is considerably less than 25 per cent. of the institutions eligible for membership, and the proportion has been so small as to prove a severe disappointment to those who had confidently expected that the foresight and enlightened self-interest of the member banks would speedily accomplish the desired result. Some progress has been made through the action of the banks, both member and non-member, in improving exchange conditions and in providing for the clearance of country checks at points where this practice has never before prevailed; but in the main comparatively small advance has thus far been made in rendering effective the provisions of the law requiring the standardization of exchange and clearance practices. This slowness is largely due to the failure of jobbers and merchants to appreciate the advantages of the clearance system and to enlarge its membership by insisting that their own banks join and co-operate in the plan.

Issue of Notes

During the year 1915 the circulation of Federal reserve notes has increased to $188,817,000 as of December 31, 1915. Believing that the country should be prepared against any contingency, the board had authorized the printing of about $700,000,000 of these notes. Almost one-quarter of the total supply printed has been placed in circulation. On December 31, 1915, however, $16,675,000 secured by commercial paper pledged with the Federal reserve agents was outstanding as an obligation of the Federal reserve banks. The liability of the Federal reserve banks as to the remainder has been discharged by the deposit with the Federal reserve agents of a like amount of gold and lawful money. This result has been achieved by the Federal reserve banks in responding to requirements for currency by issuing Federal reserve notes rather than by parting with gold. While the gold pledged with the Federal reserve agents represents a very valuable protection in case there should be substantial demands for gold, it must be observed that the process is an expensive one without, at the same time, giving to the Federal reserve banks that additional strength and lending power which they would secure in case the law were so amended that the Federal reserve banks would remain liable for the outstanding notes, but would, on the other hand, retain property title in the gold deposited with the Federal reserve agents, which in that case would not be paid in for extinguishing the liability upon the notes but deposited as collateral for the security of the same.

Further reference is made to this subject under the head of amendments.

Branches and Agencies

The question of branches of Federal reserve banks has received careful attention during the past year. Intimation has been received from several quarters that the establishment of a branch at a given point would be acceptable to the banks of that place. Only in one instance—that of New Orleans—did the board receive a definite request from a Federal reserve bank to establish a branch.

Investigation and experience have seemed to show that, at least for some years to come, the organization of branches with completely equipped offices, vaults and the like, and with a full staff of salaried officials, will be too heavy an expense for most of the reserve banks to incur. Yet, that valuable service could be performed by local offices of the several banks in not a few places. The board has, therefore, had under consideration the question whether establishing local agencies might not meet the requirements of the case better than the more fully organized branch office. Competent legal opinion is to the effect that the creation of such local offices is permissible under the terms of the law, and the board believes that it may prove practicable to meet banking necessities in many sections of the country by this means.

Changes in Districts

Practically as soon as it was organized the board received applications from various cities and districts asking for changes in the adjustments that had been made by the organization committee, under the board's general power, to review the findings of that body. * * * The question was considered whether a reduction in the number of reserve banks was not desirable and whether, if desirable, it might not be made in such a manner as incidentally to settle the various pending appeals. Further consideration of this subject was suspended, in view of an opinion rendered by the Attorney General of the United States on November 22, wherein it was held that the board possessed no power to reduce the total number of Federal reserve districts. The question what action to take on appeals still pending must, therefore, be considered in the light of this opinion, which has materially changed some of the aspects of the case. A further opinion has been asked as to whether the board has power to change the location of Federal reserve banks within a district.

Operation and Expenses

Meantime the experience already secured in the operation of Federal reserve banks has thrown much light both upon the conditions of their operation, the problems they will have to meet, and the cost to which they will be subjected in doing business. Due to the conditions prevailing during the past year, as already set forth, the reserve banks as a unit have done little more than to provide for their current expenses. The complete tabular statement of income and outgo, furnished herewith, shows that as a whole current expenses have been covered and in addition a sum of $639,881 realized. The condition of the banks as income producers is not, however, uniform, nor should their usefulness be gauged by their earning capacity. As will be seen from the statement in question, the excess of earnings over current expenses for the past calendar year was $233,331, or over 8 per cent. of the average paid-in capital of the Richmond bank, while in the case of nine other banks these excesses varied from less than $4,000, or a fraction of 1 per cent., to $137,336, or over 6.5 per cent. on the paid-in capital. There are still two institutions which during the past year have not fully covered their current expenses, although such deficiency is of relatively small amount. The board, in submitting this tabular statement of earnings and expenses, feels warranted in making the statement that the system, as a whole, has been economically and efficiently operated. An inspection of the detailed salary rolls in comparison with the salaries for bank officers and employees in the several reserve cities will show that Federal reserve banks have been operated upon what is practically an ordinary commercial basis in so far as relates to expenses, the only criticism that could reasonably be made being apparently that certain of the institutions were slightly "overstaffed" at the beginning; that is to say, had in their employ a rather disproportionate number

of officers of the higher class and salary rating. This difficulty of organization could not be avoided, in view of the uncertainty regarding the volume of business to be developed by the several banks and the possibility that at any time conditions might be such as to require a large and rapid expansion of the operations of the several institutions.

"Regulation in ordinary times as well as protection in extraordinary times" was the principle laid down by the board in its first annual report for defining the general scope of activities of the Federal reserve banks. The conditions of the last year, however, have happily not been such as to call for the exercise of the emergency function of the reserve banks nor have they been such as to call for much regulative action on the part of the banks. Speaking by and large of the situation in the midst of which the reserve banks have found themselves during the first year of their existence, it has been one of such ease and quiescence as not to call for much activity on the part of the reserve banks except in a few districts, but the experience gained has confirmed the board in the conclusion expressed a year ago that "normally a considerable proportion of their resources should always be kept invested in order that the release or withdrawal from active employment of their banking funds may exercise a beneficial influence," and that "to influence the market a reserve bank must always be in the market." The events of the year seem also to make clear that in all except unusual years it may be expected that the proportion of their resources which the reserve banks will have to keep loaned or invested in order to exercise a proper regulative effect upon the market or will be able to invest through operations in the open market as such a market develops, will produce earnings sufficient for dividend purposes as well.

Operations of the Board

The board's own internal organization has not been materially changed since its first report. At present the actual cost of conducting the work of the Federel Reserve Board, including members' salaries and the total payments to the staff in Washington, as well as the examining corps, is about $18,000 per month. So far as can be judged, this sum is not likely to vary much in the near future, except in so far as it may be increased by the added cost of examining state banks which may join the system, should such action be necessary, or by the growth of the statistical department.

Proposed Amendments

A year's experience in the operation of the Federal Reserve Act has confirmed the board in its profound conviction that the Act has been one of the most beneficial pieces of legislation ever adopted by Congress. Not only have its fundamental principles been fully vindicated but in most details the working of the measure has been successful. The Act, however, is a progressive piece of legislation and creates new conditions as the result of its own operation. Modification growing in part out of these new conditions will subsequently be from time to time required in its terms.

For the present the board presents the following suggestions for amendments:

(1) In addition to powers now possessed in this connection by Federal reserve banks and national banks, the latter should be permitted to subscribe for and hold stock in banks organized for the special purpose of doing a banking business in foreign countries.

(2) With the approval of the Federal Reserve Board the issue of Federal reserve notes to Federal reserve banks should be permitted either against the deposit of an equal amount, face value, of notes, drafts, bills of exchange, and bankers' acceptances acquired by Federal reserve banks under sections 13 and 14 of the act, or of gold, or of both, provided, however, that gold so deposited with a Federal reserve agent shall count as part of the reserve required by the Act to be maintained by the bank against such notes outstanding.

(3) The acceptance system, provision for which is made in foreign trade operations by the Federal Reserve Act, should be extended to the domestic trade in so far as relates to documentary acceptances secured by shipping documents or warehouse receipts, covering readily marketable commodities or against the pledge of goods actually sold.

There can be but little question of the safety of such acceptances, and their use will tend to equalize interest rates the country over and help to broaden the discount market.

(4) Permission should be granted to national banks to establish branch offices within the city, or within the country in which they are located.

(5) In order to enable member banks to obtain prompt and economical accommodations for periods, not to exceed fifteen days, the Federal reserve banks should be permitted to make advances to member banks against their promissory notes secured by such notes, drafts, bills of exchange, and bankers' acceptances as the law at present permits to be rediscounted or purchased; or against the deposit or pledge of United States Government bonds, the purchase of which is now permitted under the law.

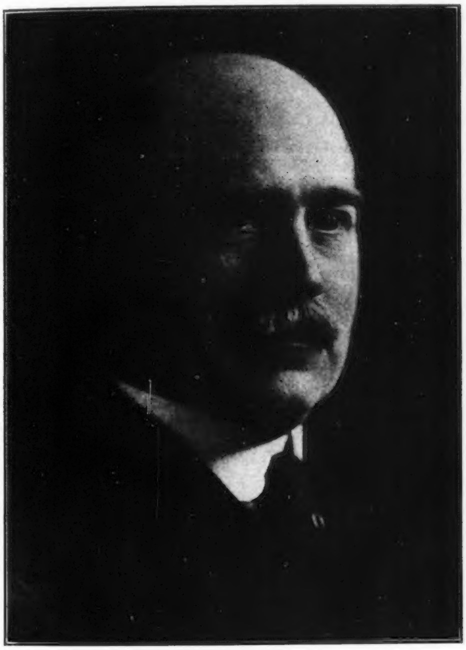
(6) The board furthermore recommends that the power of national banks to make loans on farm lands as provided in section 24 be extended so as to permit any national bank not situated in a central reserve city to make loans secured by improved and unencumbered farm land situated within its Federal reserve district, or within a radius of 100 miles from the place in which such bank is located, irrespective of district lines. It also recommends that the powers of national banks be further extended to permit any such bank to make loans on any improved and unencumbered real estate located within 100 miles of the place in which such bank is located, irrespective of district lines; provided, however, that the aggregate of farm land loans and other real estate loans made by any national bank shall not exceed 25 per centum of its capital and surplus or one-third of its time deposits; and provided further, that no such real estate loan, as distinguished from a farm land loan, shall exceed a period of one year nor exceed 50 per centum of the actual value of the property offered as security.

It is believed that the enactment of these amendments will, besides enlarging the usefulness of the national banks, result in greatly strengthening the operation of the Federal Reserve Act, and more completely realize the purposes of its framers. The text of the amendments designed to carry out these recommendations will be submitted by the Board at an early date. The Board has under consideration other suggestions for amendments to the Federal Reserve Act concerning which no conclusions have yet been reached, and regarding which the board will take occasion to submit its views to the Congress at an appropriate time in the future.

GEORGE E. LAWSON

Member Executive Council, American Bankers Association

George E. Lawson, president of the Peoples State Bank of Detroit, Mich., and widely known and respected throughout the country, died February 15 at Ormond Beach, Florida. It was only in May of last year that Mr. Lawson succeeded to the presidency of the Peoples State Bank on the death of George H. Russel, and it is a matter of regret to all who knew of Mr. Lawson's rapid rise from the ranks that his term as head of that institution has been cut short in the full flower of his usefulness. He was born at Howell, Mich., in 1861. On being graduated from the Michigan Agricultural College he entered the employ of the Peoples Savings Bank, in 1881, as bookkeeper. In 1890 he was made cashier and on consolidation of the institution with the State Savings Bank in 1907 he was chosen vice-president. He was prominent in the business life of Detroit and was always active in everything that concerned its welfare.



GEORGE E. LAWSON

Of his other interests, he was a director of the Standard Accident Insurance Company, the Peninsular Stove Works, the Union Trust Company, the Security Trust Company and the Detroit City Gas Company and others.

He was president of the Michigan Bankers Association 1913-1914 and had also been president of the Bankers Club of Detroit. At the time of his death, Mr. Lawson was a member of the Executive Council, American Bankers Association of the 1916 class and was a valued member of the Association's Finance Committee.

Modesty was one of the commendable features of Mr. Lawson's character. His charity was known to but few of his intimate friends. Always he wanted to be of help but never wanted to be known. He was a member of the board of several charitable institutions and his benefactions were many.

No better index of Mr. Lawson's standing and position in his home city can be given than the resolutions passed by his associates of his own bank and the Clearing House Association of Detroit, of which association he was a member of the Executive Committee. The resolutions of the Clearing House are as follows:

"We, members of the Detroit Clearing House Association, in session assembled, hereby record our deep sense of both the business and personal loss which this community has suffered in the death of George E. Lawson, president of the Peoples State Bank.

"Mr. Lawson was born in Howell, Michigan, on December 1, 1861, and died at Ormond, Florida, on February 15, 1916.

"After an apprenticeship in his father's bank at Brighton, he entered, in 1881, the service of the Peoples Savings Bank of Detroit. He showed a particular aptitude for his chosen vocation, and rapidly rose in nine years, through the channels of the bank, to the office of cashier. In 1907, upon the consolidation of the Peoples Savings Bank with the State Savings Bank, he became vice-president of the re-organized bank, and later, upon the death of George H. Russel, he succeeded to the presidency—an office which he had held less than a year at the time of his unexpected death.

"Bred more particularly to the savings side of banking, yet when called upon to develop a field of commercial banking, he responded to the demands, and showed those strong and versatile qualities which earned for him the honorable position which he occupied in the community.

"Mr. Lawson's work was not confined to his own bank. He served as president of the Bankers' Club of Detroit, as president of the Michigan Bankers' Association, as Vice-President of the American Bankers Association, and as a member of its Executive Council.

"This record of Mr. Lawson's life amply testifies to his conspicuous ability as a banker. We, who are now voicing our loss, have been more intimately connected with his work for the Detroit Clearing House Association, and we know how valuable his counsel has been in times when only the wisest measures could avert disaster.

"That Mr. Lawson was able to bring his own bank to its high plane without losing the warm friendship of his banking rivals shows his possession of a beautiful

character. No one ever did business with him without a recognition of his great ability, nor without the utmost confidence in his integrity, nor without the warmest love of his human qualities.

"On our minutes we record our estimate of him as a banker, but in our hearts lies the love which only his own fine character could have called forth."

The resolutions passed by the directors of the Peoples State Bank are as follows:

"For the second time within the brief period of nine months, the directors of the Peoples State Bank mourn the loss of their president. February 15, 1916, George E. Lawson died at Ormond Beach, Florida, where he had gone for a well-earned vacation, after a prolonged period of strenuous work. The shock to each member of the Board caused by the stunning news of his unexpected death is beyond expression, and it is with difficulty that it is realized that his magnetic and genial personality has passed from us.

"Mr. Lawson commenced his business career in 1881, with the Peoples Savings Bank, coming to this city from Howell, his birth place. Since that time he has been continuously associated with the Peoples Savings Bank and the Peoples State Bank, becoming a pastmaster in all that pertains to the business of banking. He was a commanding figure in the banking circles of the state and nation. His ability, his experience, his mature judgment, and above all, his unimpeachable integrity were universally recognized, and he was accorded an enviable position in the banking world. These sterling qualities commanded the admiration and respect of his associates; but there was something more in his nature which touched the finer feelings of those who knew him—his broad sympathies, his fairness, his love and charity for his fellowmen gripped the heart and drew men to him with hooks of steel. For thirty-five years he has impressed his personality upon the business life of the community, and the influence of his career will remain long after his death.

"With sorrow in their hearts, but with gratitude that they have been privileged to live in business relations with him, the directors of the bank pay this tribute to his memory, and direct that it be spread upon the records of the bank, and that a suitable copy be sent to Mr. Lawson's family."

HENRY M. CAMPBELL,
GEORGE H. BARBOUR,
FRANK I. HECKER.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING FEBRUARY, 1916

Alter, Franklin, director First National Bank, Cincinnati, Ohio.

Bassett, Charles A., treasurer Fall River Savings Bank, Fall River, Mass.

Bennett, Leonard L., president National Farmers Bank, Owatonna, Minn.

Black, Willis L., president First National Bank, Elgin, Ill.

Claghorn, John W., president Ardmore National Bank, Ardmore, Pa.

Cox, James, vice-president Railey & Brothers Banking Company, Weston, Mo.

Crookshank, M. M., president First National Bank, Santa Ana, Cal.

Culligan, Patrick, president Alpena County Savings Bank, Alpena, Mich.

Dennis, Martin, director Howard Savings Institution, Newark, N. J.

Du Bois, Abraham B., secretary and treasurer New Paltz Savings Bank, New Paltz, N. Y.

Eaton, Frederick H., director Columbia Trust Co. and Seaboard National Bank, New York, N. Y.

Ellison, Eugene L., director Central National Bank, Philadelphia, Pa.

Fogler, W. M., president First National Bank, Vandalia, Ill.

Glover, Moses H., vice-president Fairfield County National Bank, Norwalk, Conn.

Godfrey, Lincoln, director Philadelphia National Bank, Philadelphia, Pa.

Grant, F. F., president Northern Savings Bank, Fargo, N. D.

Hamilton, Alexander, director Merchants National Bank, Richmond, and Petersburg Savings & Insurance Company, Petersburg, Va.

Hardisty, Basil, president First National Bank, Overbrook, Kan.

Harvey, L. J., vice-president Griggsville National Bank, Griggsville, Ill.

Hefferen, George, vice-president Michigan Trust Company, Grand Rapids, Mich.

Houston, Nathan, president Belfast Savings Bank, Belfast, Me.

Hoyt, David, secretary and treasurer Monroe County Savings Bank, Rochester, N. Y.

Kenton, Thomas, president First National Bank, Calera, Okla.

Lawson, George E., president Peoples State Bank, Detroit, Mich.

Lee, William, president First National Bank, Glendale, Cal.

Martin, W. A., president Houlton Trust Company, Houlton, Me.

Mitsch, Herman W., president Woodbine State Bank, Woodbine, Kan.

Moulton, E. S., president First National Bank, Riverside, Cal.; Vice-President American Bankers Association for California.

Pope, Franklin Pierce, president Peoples Bank, Courtland, Va.

Porch, James, president Bank of Chebanse, Chebanse, Ill.

Purcell, James, vice-president Bank of Horton, Horton, Kan.

(*Mortuary Record continued on page following*)

MORTUARY RECORD—*(continued from preceding page)*

Reynolds, M. M., president Guthrie County National Bank, Panora, Iowa.

Riege, E., president First National Bank, Platteville, Wis.

Spielman, H. S. M., president Burt County State Bank, Tekamah, Neb.

Tanner, J. G. N., president First National Bank, Meridian, Tex.

Thatcher, Mahlon D., president International Trust Co., Denver, Colo.

Thoman, Frederick, vice-president Lansing State Savings Bank, Lansing, Mich.

Towler, Mrs. Annie M., president First National Bank, Mount Pleasant, Tex.

Wiedersheim, Theodore Edward, vice-president Girard National Bank, Philadelphia, Pa.

Worrall, P. B., director Importers & Traders National Bank, New York, N. Y.

E. S. MOULTON

E. S. Moulton, Vice-President of the American Bankers Association for California, died February 4. He was president of the First National Bank of Riverside, Cal., and was a well known figure in the public life of the community.

REGISTRATION AT THE ASSOCIATION OFFICES

DURING THE MONTH OF FEBRUARY, 1916

Armfield, J. L., president North Carolina Bankers Association, Greensboro, N. C.

Berg, Philip C., cashier Farmers & Traders National Bank, Hillsboro, Ohio.

Betts, Harry Dolson, credit manager Garfield National Bank, Newburgh, N. Y.

Brown, Joseph G., president Citizens National Bank, Raleigh, N. C.

Brundage, F. D., assistant manager, Knauth, Nachod & Kuhne, New York City.

Chadduck, Harry W., cashier Grafton Banking & Trust Company, Grafton, W. Va.

Chamberlain, Edwin, vice-president San Antonio Loan & Trust Company, San Antonio, Tex.

Clark, L. J., president Pulaski National Bank, Pulaski, N. Y.

Cox, Raymond B., vice-president Webster & Atlas National Bank, Boston, Mass.

Cutler, Ralph W., president Hartford Trust Company, Hartford, Conn.

Decker, S. P., South Norwalk, Conn.

Delatour, S. P., president Bank of Lewellen, Lewellen, Neb.

Farwell, H. L., assistant cashier Montpelier National Bank, Montpelier, Vt.

Fitz Gerald, S. B., cashier Robinson & Company, New York City.

Fries, Col. F. H., president Wachovia Bank & Trust Company, Winston-Salem, N. C.

Fries, Mrs. F. H., Winston-Salem, N. C.

Gilliam, W. R., secretary Harvey Blodgett Company, St. Paul, Minn.

Gwin, Earl S., president American-Southern National Bank, Louisville, Ky.

Hardy, Gaston, vice-president Harriman National Bank of Alaska, Seward, Alaska.

Hosmer, L. P., manager Shreveport Clearing House, Shreveport, La.

Hoyt, C. E., secretary Connecticut Bankers Association, South Norwalk, Conn.

Hyde, Fred. W., cashier National Chautauqua County Bank, Jamestown, N. Y.

Keyser, W. F., secretary Missouri Bankers Association, Sedalia, Mo.

Knox, Wm. E., comptroller Bowery Savings Bank, New York City.

Mathews, J. P., vice-president Palmetto National Bank, Columbia, S. C.

Nelly, Edward, president Wood County Bank, Parkersburg, W. Va.

Parcher, S. C., cashier York National Bank, Saco, Me.

Parcher, Mrs. S. C., Saco, Me.

Peace, R. G., assistant secretary Franklin Trust Company, New York City.

Perrin, John, chairman Federal Reserve Bank, San Francisco, Cal.

Pugsley, Cornelius A., president Westchester County National Bank, Peekskill, N. Y.

Rhoades, Herbert A., president Dorchester Trust Company, Boston, Mass.

Rhoades, Mrs. Herbert A., Boston, Mass.

Shaw, Charles S., persident Pittsfield Chapter American Institute of Banking, Pittsfield, Mass.

Smith, E. K., president Commercial National Bank, Shreveport, La.

Smith, Mrs. E. K., Shreveport, La.

Stein, F. L., vice-president and cashier Ohio National Bank, Columbus, Ohio.

Tilghman, Tench F., president Citizens Bank of Norfolk, Norfolk, Va.

Tilton, McLane, Jr., secretary Alabama Bankers Association, Pell City, Ala.

Townsend, Samuel, president The Peoples National Bank, Westfield, N. J.

Treman, Robert H., president Tompkins County National Bank, Ithaca, N. Y.

Willis, M. H., manager bond department Wachovia Bank & Trust Company, Winston-Salem, N. C.

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN during February. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

ARKANSAS

Bentonville—Rex W. Peel, formerly assistant cashier First National Bank, now vice-president.

CALIFORNIA

Anaheim—F. C. Krause, formerly cashier Anaheim National Bank, now president. E. S. Goble, formerly assistant cashier, succeeds Mr. Krause as cashier.

Berkeley—G. T. Douglas, formerly assistant cashier First National Bank, now assistant cashier Berkeley Bank of Savings & Trust Company and manager Telegraph Avenue branch.

Berkeley—E. K. Cole, formerly cashier South Berkeley Bank, now assistant cashier Berkeley Bank of Savings & Trust Company and manager South Berkeley branch.

Long Beach—E. H. Wallace, formerly assistant cashier Exchange National Bank, now vice-president Marine Commercial & Savings Bank.

Los Angeles—J. M. Elliott, formerly president First National Bank, now chairman of board. Stoddard Jess, formerly vice-president, succeeds Mr. Elliott as president. E. D. Roberts (former State Treasurer) now vice-president. E. S. Pauley, formerly assistant cashier, now vice-president.

ILLINOIS

Chicago—John R. Washburn, formerly assistant cashier Continental and Commercial National Bank, now vice-president.

Chicago—James B. Forgan, formerly president First National Bank, now chairman of board. F. O. Wetmore, formerly vice-president, now president. William J. Lawlor, formerly assistant cashier, now vice-president. John P. Oleson, formerly assistant cashier, now vice-president.

Chicago—William T. Bacon, formerly manager bond department Chicago Savings Bank, now vice-president.

Chicago—Robert M. McKinney, formerly cashier National Bank of the Republic, now vice-president. James M. Hurst, formerly assistant cashier, now vice-president. O. W. Swan, formerly assistant cashier succeeds Mr. McKinney as cashier.

INDIANA

Howell—Frank C. Baugh, formerly cashier Farmers & Citizens Bank, now president.

IOWA

Des Moines—Grant McPherrin, formerly cashier Central State Bank, now vice-president. J. B. McDougal, formerly assistant cashier, succeeds Mr. McPherrin as cashier.

Fort Dodge—E. H. Rich, formerly cashier First National Bank, now president. George H. Rich succeeds Mr. Rich as cashier.

KANSAS

Independence—A. W. Shulthis, formerly cashier Citizens National Bank, now president. Ernest Sewell, formerly assistant cashier, succeeds Mr. Shulthis as cashier.

MASSACHUSETTS

Holyoke—James H. Newton, formerly president Home National Bank, now chairman of board. Fred F. Partridge, formerly cashier succeeds Mr. Newton as president.

Holyoke—Louis Harvey, formerly assistant cashier Eliot National Bank, Boston, now cashier Home National Bank.

MINNESOTA

St. Paul—M. R. Knauft, formerly assistant cashier Merchants National Bank, now cashier.

MISSOURI

St. Louis—N. A. McMillan, formerly president St. Louis Union Trust Company, now chairman of board. John F. Shepley, formerly vice-president, succeeds Mr. McMillan as president.

MONTANA

Helena—G. W. Casteel, formerly cashier The Banking Corporation of Montana, now vice-president. H. Grady Ish, formerly assistant cashier, succeeds Mr. Casteel as cashier.

NEBRASKA

Omaha—Milton T. Barlow, formerly vice-president and chairman of board United States National Bank, now president, succeeding the late Victor B. Caldwell. Gurdon W. Wattles, formerly vice-president, now chairman of board. Wm. E. Rhodes, formerly cashier, now vice-president. George E. Haverstick, formerly assistant cashier, now vice-president. Robert P. Morsman, formerly assistant cashier, now cashier.

NEW MEXICO

Silver City—Jackson Agee, formerly cashier American National Bank, now president, succeeding C. C. Shoemaker. W. E. Burnside, formerly assistant cashier, succeeds Mr. Agee as cashier.

NEW YORK

Brooklyn—Henry Billman, formerly cashier North Side Bank, now vice-president.

NORTH DAKOTA

Anamoose—Max Thurow, formerly assistant cashier Anamoose National Bank, now cashier.

OKLAHOMA

El Reno—Charles L. Engle, formerly cashier Citizens National Bank, now president Commercial Bank.

PENNSYLVANIA

Philadelphia—E. P. Passmore, formerly vice-president and cashier Franklin National Bank, now vice-president. J. Wm. Hardt, formerly assistant cashier, succeeds Mr. Passmore as cashier.

Philadelphia—Charles P. Blinn, Jr., formerly vice-president National Union Bank, Boston, now vice-president Philadelphia National Bank.

TEXAS

Dallas—Edwin Hobby, formerly cashier Security National Bank, now vice-president and cashier.

UTAH

Salt Lake City—E. A. Culbertson, formerly assistant cashier National Bank of the Republic, now president. DeWitt Knox, formerly assistant cashier, now vice-president.

WASHINGTON

Seattle—P. B. Truax, formerly credit manager Seattle National Bank, now vice-president.

Spokane—R. L. Rutter, formerly vice-president Spokane & Eastern Trust Company, now president. W. L. Clark, formerly assistant secretary, now secretary and auditor.

WISCONSIN

Milwaukee—J. H. Daggett, formerly connected with the bond department Marshall & Ilsley Bank, now assistant cashier succeeding H. J. Dreher who recently resigned, as noted, to become assistant cashier National City Bank, New York.

COMMERCIAL PREPAREDNESS

By WILLIAM C. CORNWELL

Practically the only basis of our present prosperity is the unnatural stimulus of the war's demands. The country is working under forced draught, and the question of continuance of the present rate of speed is a question of how long this one particular kind of fuel will last.

Under the momentum of these times it may be possible for us to "get somewhere"; to arrive at a point where, when the heat of war subsides, the machinery will be in perfect order to meet other conditions, which will then be as abnormal as they are now, but with the grave difference that they may be against us instead of heavily in our favor.

To bring about this result we need the highest wisdom in financial operations, in legislative action and in individual conduct. Capital, labor and law must each do its part.

Capital is facing the tremendous pressure of inflation. Thus far its conduct, as a whole, has been beyond criticism. Labor is up against the temptation of large and growing wages, which breed greed and dissatisfaction. Law or legislation is, as it always has been, except in grave crises, unreliable, uninformed and undependable.

These somber considerations concern the present, only as a reminder that the golden era at hand is transient and that we must now, in times when everything is propitious, make ready for periods when the tide may turn against us. Preparedness is one of the lessons of the day.

It has come about through the greatest upheaval of any period in history that we have been thrown involuntarily into a position where the commerce of the world and the gold of the world is flowing in to us. This tide will stop some time. Then, only through international trade firmly established, can we prevent the commerce and the gold from flowing away from us as abruptly almost as it came. If business men bring to bear upon government such pressure that government and business will work together intelligently and indefatigably for the firm establishment and wide extension of international trade, the tide may be controlled.

UNITED STATES ASSAY COMMISSION MEETS

The United States Assay Commission, which is charged with the duty of weighing and measuring samples of each year's coinage, met in Philadelphia last month for the purpose of testing the products of the mints at Philadelphia, San Francisco, Denver and New Orleans during 1915. The Commission is composed of distinguished civilians who sit annually in Philadelphia, to which city all the other mints send their samples. The three operations of counting, weighing and assaying are severally assigned to three committees into which the Commission is divided.

The law permits a certain deviation from the specified weight of each coin. A silver dime should weigh 30.864 grains, the quarter dollar 96.45 grains and the half dollar 192.9 grains, a deviation of 1.5 grains being allowed in each case. Silver dollars are no longer coined. In the gold coinage, an allowance of .25 grains is made in the case of the quarter eagle ($2.50) which should weigh 64.5 grains and the half eagle, which should weigh 129 grains. The legal weight of the eagle is 258 grains and of the double eagle 516 grains, a deviation of .50 grains being permitted in each case.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

THE LIABILITY OF AN INDORSER IN BLANK FOR IDENTIFICATION

Banking circles in Philadelphia have been exercised by a decision of Judge Carr of the Court of Common Pleas No. 4, rendered on January 12 last in the case of John R. Judge, a depositor, against the West Philadelphia Title & Trust Company that the bank must repay the depositor $450 charged to his account by reason of his liability as indorser in blank upon a check which the bank had cashed for a friend of Mr. Judge and which had proved worthless. Mr. Judge contended that he meant his indorsement merely as an identification of the person who applied to the bank to cash the check and that he did not intend to be liable as an indorser, if the check was dishonored. Judge Carr sustained the contention and held that the bank must refund the amount.

The Negotiable Instruments Act of Pennsylvania provides:

> "Sec. 64. Where a person, not otherwise a party to an instrument, places thereon his signature in blank before delivery, he is liable as indorser, in accordance with the following rules:
>
> "1. If the instrument is payable to the order of a third person, he is liable to the payee and to all subsequent parties.
>
> "2. If the instrument is payable to the order of the maker or drawer, or is payable to bearer, he is liable to all parties subsequent to the maker or drawer.
>
> "3. If he signs for the accommodation of the payee, he is liable to all parties subsequent to the payee."

It is a custom of bankers when a check is presented by a holder unknown to the bank with request that the bank advance the cash, the holder being accompanied by a friend who is a customer or otherwise known to the bank to be responsible and who vouches for him, to require the customer to indorse the check in blank for the two-fold purpose of (1) warranting its genuineness, including the holder's identity and signature and (2) looking to the customer as indorser, in the event the check is not paid; and according to the provisions of the Negotiable Instruments Act, the person so indorsing in blank is liable as indorser, that is to say, he not only warrants genuineness, but in the event the check is dishonored and the necessary steps are taken upon dishonor to preserve the indorser's liability (*i. e.*, due demand and notice of dishonor) he engages to pay the same.

The question which this decision of Judge Carr raises is whether it is open to the blank indorser to vary the legal effect of his contract of indorsement by introducing parol evidence that it was his intention and the agreement of the parties that he should not be bound as indorser, but only as warrantor of the identity of the holder of the check.

It is a general rule of law that parol evidence is inadmissible to contradict or vary the terms of a valid written contract, but while this rule is conceded to be applicable to all contracts written in full, a few authorities have held that the rule does not extend to contracts raised from implication by operation of law, such as indorsements in blank. Among these authorities is an early decision of the Supreme Court of Pennsylvania in Ross *v.* Espy, 66 Pa. 487, wherein Agnew, J., said: "The contract of indorsement is one implied by law for the blank indorsement, and can be qualified by express proof of a different agreement between the parties, and is not subject to the rule which excludes proof to alter or vary the terms of an express agreement."

But the weight of authority denies that a blank indorsement falls within the classification of contracts not written out in full and is to the effect that if the agreement imported by the signature were written out in full, it would not be more clearly defined than it is by the signature itself; that such blank signature is as plain a manifestation of the terms of the contract as if such terms were set forth in express words. Accordingly, it has been held in a number of cases that an indorser in blank cannot show by parol evidence that his signature was written under that of the payee, merely in order to identify him. Prescott Bank *v.* Caverly 7 Gray, 217; Stack *v.* Beach, 74 Ind. 571; Thompson *v.* McKee, 5 Dak. Ter. 175; Alabama Nat. Bank *v.* Rivers, 116 Ala. 1. In the case last cited the court, among other things, held:

> 1. Where one who is a stranger to a draft or bill of exchange goes to a bank with the payee thereof, for the purpose of identifying him, and upon the payee asking to have the draft or bill of exchange cashed, after having indorsed it, if such person, at the instance of the cashier of the bank, indorses the paper, such indorsement is not a regular indorsement for the purpose of transfer, but is purely an irregular accommodation indorsement.
>
> 2. The liability of an irregular accommodation indorser, in favor of the person against whom the indorsement is made, is the same as that of a regular indorser; and since the liability of such an indorser is contingent on due presentment, nonpayment and notice of dishonor, if the draft or bill of exchange so indorsed was, in fact and legal contemplation, paid by the drawee, such fact of payment will constitute a complete defense to an action seeking to hold such indorser liable.

3. The legal effect of an indorsement of a draft or bill of exchange can not be varied by parol evidence of an agreement, contemporaneously made, that the indorser should not be made personally liable for its payment; as for instance, that he only made the indorsement to identify the payee at the bank at which the draft or bill of exchange was negotiated; and a plea setting up as a defense such facts, and which shows that they rested in parol only, presents an insufficient defense and is demurrable.

Upon this last proposition the court said: "But the court below erred in overruling the demurrers to those pleas which set up the defense that the defendant indorsed the draft only for the purpose of identifying Gellhorn, the payee, and not for the purpose of incurring any liability as an indorser. These pleas show that the facts relied on to establish the defense rested in parol only. * * * It has long been settled by the decisions of this court that the legal effect of the indorsement cannot be varied by parol evidence of an agreement, contemporaneously made, that the indorser of a note or bill should not be made personally liable for its payment. The specific legal import of the contract evidenced by the defendant's indorsement was, that he would pay the draft if payment should be refused by the drawee upon due presentment, and he should be duly notified of the dishonor; and this import cannot be destroyed and the contract varied even in a suit between the immediate parties to the contract, by proof that the indorsement was only for the purpose of identification. Day *v.* Thompson, 65 Ala. 273; Preston *v.* Ellington, 74 Ala. 139; Tankersley *v.* Graham, 8 Ala. 251; 3 Rand. Com. Paper, § 1903."

While the early rule in Pennsylvania was that parol evidence is admissible to change the legal import of a blank indorsement and show that the agreement between the immediate parties was otherwise, it would seem that the Legislature of the state in passing the Negotiable Instruments Act, has changed the rule. That act not only defines the legal import of such contract in Section 64 but in Section 63 further provides that "A person placing his signature upon an instrument otherwise than as maker, drawer or acceptor, is deemed to be an indorser, unless he clearly indicates by appropriate words his intention to be bound in some other capacity." It has been held in numerous cases that this is a statutory command that the legal effect of a blank indorsement cannot be changed or varied by evidence from another source. In the recent case of First National Bank *v.* Korn, 179 S. W. (Mo.) 721 the authorities to this effect are collected. It would seem desirable therefore that an appeal from the decision of Judge Carr should be taken to the Supreme Court of Pennsylvania to the end that a definite rule may be obtained upon such cases and the bankers of the state enabled to know with certainty whether they can rely upon a blank indorsement of a check cashed for a friend of the indorser as binding the latter to all the liabilities of such contract.

OPINIONS OF THE GENERAL COUNSEL

PAYMENT OF RAISED CHECK

Drawer is not bound so to prepare check that nobody can successfully tamper with it, but if he carelessly executes check so as to facilitate or invite raising of amount without giving check suspicious appearance, bank may charge full amount paid to drawer's account.

From South Dakota—We have had a little transaction upon which we would very much appreciate your opinion. The case is as follows: A gives a check to B, supposed to be for ninety-nine cents. B made out the check for A to sign, which he did, but apparently did not take much notice how it was made out, for when the check was brought in to be cashed it was made out for $99.99. We paid this amount as we knew it to be A's signature and as the check was drawn on us. Are we liable for the cashing of above check?

If the check was drawn for $99.99 when your customer signed it, the full amount is chargeable to him, although he thought he was signing a check for ninety-nine cents only. If, however, the check when signed was drawn for ninety-nine cents and was afterwards raised by the payee to $99.99, your liability for the difference would depend upon whether the drawer had been reasonably careful in the eye of the law, in drawing the check. Ordinarily, payment of a raised check is not chargeable to the drawer as to the excess, for he has only authorized payment of the original amount, but it has been held that where the drawer draws a check in such a careless or incomplete manner that it can be materially altered without leaving a perceptible mark or giving the instrument a suspicious appearance, he and not the bank should suffer.

In Critten *v.* Chemical National Bank, 171 N. Y. 219, the court thus states the rule: "While the drawer of a check may be liable where he draws the instrument in such an incomplete state as to facilitate or invite fraudulent alterations, it is not the law that he is bound so to prepare the check that nobody else can successfully tamper with it."

A leading case illustrating carelessness which will make the drawer liable is Young *v.* Grote, 4 Bing. 253, where a check for £52 was drawn up for a customer to sign, the word "fifty" being written with a small "f" in the middle of the blank line and a considerable space being left between the marginal figures "52" and the £ mark. After signature the check was filled up by the depositor's clerk with "Three hundred and" and "3" before words and figures respectively and the raised amount withdrawn from the bank. It was held that the bank was entitled to charge the whole amount to the

drawer, as the careless manner of executing the check had made the forgery easy and simple.

I notice that in your case the drawer did not fill out the check himself, but the payee made it out for the drawer to sign, but just how the check was filled out before signature, you do not definitely state. If the check was originally drawn for $99.99, although the drawer thought he was only signing one for ninety-nine cents, he would be liable in any event; but if when signed the check was drawn for ninety-nine cents and then changed, the question of liability as between drawer and bank will depend upon the precise facts, under the rules of law above announced.

GARNISHMENT OF PROCEEDS B/L DRAFT

Where garnishment proceedings delayed three years, application for dismissal because of undue delay should be made—If proceeds belong to discounting bank they are not subject, in any event, to garnishment by creditor of shipper.

From Missouri—Nearly three years ago, a customer of ours shipped some goods to an Oklahoma town and we sent a draft with bill of lading attached for collection. The purchaser made affidavit to shortage and garnished a part of the draft paid to the bank. The matter has never been taken into court and their rights proven and the bank has not remitted the amount. It has just gone along that way. We want to know if this garnishment has run out and if the money should be held when they have made no attempt to prove their right.

I think a three years' delay in the prosecution of the garnishment proceedings should entitle the defendant to an order of court dismissing action.

The rule is well recognized that the court in which the garnishment proceedings are pending, in case of undue delay on the part of the plaintiff, where the continuance of the proceedings as against the garnishee is unjust and in effect an abuse of the process of the court, may in its discretion discharge the garnishee. Noble *v.* Bourke, 44 Mich. 193; Dunham *v.* Murphy (Tex. Civ. App. 1894) 28 S. W. 132. See also England Bros. *v.* Young, 26 Okla. 494.

A garnishee, however, may, by his own express assent or acquiescence in the continuance, waive his right to have the proceedings dismissed on account of delay. Whitaker *v.* Coleman, 25 Ind. 374; Meigs *v.* Weller, 90 Mich. 629; Kiely *v.* Bertrand, 67 Mich. 332; Vincent *v.* Wellington, 18 Wis. 159.

The Oklahoma statute provides that the court may at its discretion dismiss an action where the plaintiff fails to appear on the trial; and, on application of the defendant, the court may dismiss where the plaintiff fails to prosecute with diligence. Comp. Laws Okla. 1909, §5918.

I fail to find any Oklahoma cases wherein the question has arisen but the general Oklahoma statute covering dismissal of actions, as above quoted, would seem to be applicable to the case, provided there has been no consent or acquiescence in the delay on the part of the garnishee or defendant. You should cause an application to be made to the proper Oklahoma court having jurisdiction asking that the action be dismissed because of delay in failure to prosecute and if the action is dismissed the money, of course, will be released in the hands of the collecting bank in the Oklahoma town.

Apart from the above, and on the merits, if in this case your bank had purchased or discounted the draft for the shipper, upon security of the bill of lading, you would have a title which would be superior to that of the attaching creditor of the shipper and, according to numerous decisions, the garnishment would not prevail against your bank. But I assume that your bank acted merely as collecting agent for the shipper in the matter and that the proceeds in the hands of the Oklahoma bank which were garnished did not belong to your bank but to the shipper. The statement last above relates to the success of the garnishment proceedings, even if prosecuted. But your present remedy is to apply for dismissal on the ground of failure to prosecute within a reasonable time.

CREDIT TO DEPOSITOR OF ANOTHER'S CHECK ON SAME BANK

According to weight of authority, where deposit is made in good faith, credit operates as payment and is irrevocable.

From Oklahoma—We have a question before us on which we are unable to decide the proper course. One attorney advises one way, and another differently. I would be glad to have you advise me your opinion, and if there are any cases of record similar, their decision in the following: A check dated November 4, 1915, for $50.00, drawn on us was presented by a customer of our bank on the same date, and we credited his account with the $50.00. The check was drawn on us, which was not noticed at the time that the party was credited with the amount, but in sorting the checks out to make charges, we found that the party giving the check had no account with us, and in a few minutes the party who gave the check happened in the bank, and his attention was called to the fact, and he instructed our assistant cashier to change it to read on the First National Bank of this place. This check was not stamped paid by us, merely bearing our clearing stamp on the face. In the afternoon, just before closing, this check, with others, was presented at the First National Bank for clearing and we were notified that payment upon the check had been stopped. We did not give notice to the party whom we had credited until the following morning, of this dishonor of the check. He claims that we are liable to him for the amount of the check and that had he known it was on the other bank at this point, he would have gone direct to the other bank and got the money on the check.

It has been held in a number of cases that where one depositor offers for deposit in good faith a check drawn by another depositor on the same bank and the amount is credited in the depositor's passbook, the credit operates as a payment, the same as if the depositor had withdrawn the cash and re-deposited it and

the bank cannot afterwards revoke the credit upon discovering the check to be an overdraft. Oddie *v.* Nat. City Bank, 45 N. Y. 735; Consolidated Nat. Bank *v.* First Nat. Bank, 114 N. Y. Supp. 308; City Nat. Bank *v.* Burns, 68 Ala. 267; Amer. Exch. Nat. Bank *v.* Gregg, 138 Ill. 596; Titus *v.* Mechanics Nat. Bank, 35 N. J. Law, 588; Bryan *v.* First Nat Bank, 205 Pa. 7. In California, however, it is held that the presumption is that the check is received for collection by the bank from itself and the bank has until the close of the day to ascertain whether it has sufficient funds. National Gold Bank *v.* McDonald, 51 Cal. 64; Ocean Park Bank *v.* Rogers, 6 Cal. App. 678.

I presume the same rule announced by the weight of authority would apply where instead of the check being an overdraft, the check drawer has no account whatever in the bank; for as to this, the holder of the check has no knowledge and if he received the cash in good faith, the payment would not be recoverable. National Exchange Bank *v.* Gwin, 78 Atl. (Md.) 1026 and cases cited.

The rule only applies, however, where the depositor acts in good faith; that is to say, if at the time of deposit he knows that the drawer has no funds to meet the check, the crediting of the check to him, does not constitute payment. Paterson *v.* Union Nat. Bank, 52 Pa. 206.

In the present case, your bank paid, by credit to a depositor's account, a check drawn by another person on your bank without notice that the drawer had no funds in the bank and, applying the rule above stated, the payment is a finality and not recoverable assuming the depositor received the credit in good faith and was not guilty of fraud. In Manufacturers Bank *v.* Swift, 70 Md. 515, where a bank paid a check, although it "had no funds in the bank at the time of payment properly applicable to this purpose," the court denied recovery from the payee because the bank had been neglectful of its means of knowledge and because "it is the duty of a bank to know the state of its depositor's account, and if it makes a mistake in this respect it must abide the consequences. The presentation of a check is a demand for payment. If it is paid, all the rights of the payee have been satisfied and he is not entitled to ask any questions. It would forever destroy the character of a bank in all commercial circles if, when it was ready and willing to pay a check, it permitted the holder to inquire if the drawer had funds there to meet it. It is a matter with which he has no concern. In the absence of fraud on the part of the holder, the payment of a check by a bank is regarded as a finality. And the fact that the drawer had no funds on deposit will not give the bank any remedy against the holder."

In the light of the above, therefore, I think the amount of the deposited check is not chargeable back to or recoverable from your depositor. The fact that the drawer after the check had been paid by a credit to the depositor's account changed the check and made it payable at another bank, could not affect the rights of the payee upon the check as originally drawn.

DEPOSITS OF NATIONAL BANK WITH TRUST COMPANY

Federal Reserve Act permits such deposits to extent of ten per cent. of capital and surplus of depositor.

From Indiana—Is there anything in the law that prevents a national bank in a small town from having part of its funds on deposit with a trust company?

Section 19 of the Federal Reserve Act provides:

"* * * If a state bank or trust company is required or permitted by the law of its state to keep its reserves either in its own vaults or with another state bank or trust company or with a national bank, such reserve deposits so kept in such state bank or trust company or national bank shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such state bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any non-member bank a sum in excess of 10 per centum of its own paid-up capital and surplus * * *"

The last quoted sentence would prohibit a national bank from carrying a deposit with a trust company in excess of 10 per cent. of its capital and surplus. Up to that limit such deposits would be lawful. I understand that the Comptroller of the Currency has ruled that "all deposits of a national bank with non-member banks which are in excess of 10 per cent. of its capital and surplus are to be reported as excessive loans."

PROTEST OF CHECK BY DRAWEE

Question considered of duty to protest when drawer stops payment.

From Wisconsin—A draws a check payable to B for $160 in payment of some hides. A controversy arose over the purchase after check was delivered. A deposits check in bank, which check is sent direct to drawee bank. Check was returned stating that payment had been stopped. Is it the duty of the drawee bank to have this check protested or does the stopping of payment release the drawee bank from all liability without protest? Check was sent without instructions as to protest.

The drawee bank which receives a check for collection acts in a dual capacity (1) as agent of the drawer to pay or refuse payment (2) as agent of the holder to collect and remit or to take the necessary steps upon dishonor. It is necessary to make demand and give due notice of dishonor to hold parties contingently liable, and although protest is only requisite in the case of foreign bills of exchange, it is permissible by statute in the case of other instruments and customarily caused to be made by collecting agents, as a convenient means of proving dishonor, in the absence of instructions to the contrary. But where there are no contingent parties to be held, or

they have waived or dispensed with the steps to hold them liable, there is no necessity therefor. In the present case the drawer stopped payment and was therefore liable without demand, protest or notice and the payee, as I understand, did not indorse the instrument for value but retained ownership, sending it on through his bank for collection and there was therefore no need of protest or notice in his case. Had the payee indorsed the instrument for value to the forwarding bank he would have been entitled to due notice of dishonor and it would have been a case where protest would have been customary. But even in such case the sending of the check back with the statement that payment has been stopped would place the bank receiving such statement in position to charge the payee with notice of dishonor and therefore there would be no real damage caused by the omission of protest on the part of the drawee for which it could be held responsible. The conclusion from any point of view is that the drawee bank would not be responsible in the present case for omitting protest

ASSIGNMENT OF DEPOSIT SLIP

A deposit slip given by a bank to a depositor is simply an acknowledgment of the receipt of the money and its delivery by the depositor to a third person does not operate to assign the deposit.

From Alabama—One A. J. B. came into our bank and said he owed W. L. D. $53.44, said that W. L. D. claimed that B. owed him $73.44, and that he wanted to deposit $73.44 with us pending settlement with W. L. D. and wanted his deposit ticket to show that he had deposited this money to his own (B's) credit, but wanted it to also show that it was pending settlement with W. L. D. (Deposit ticket issued by bank recites deposit by A. J. B. of $73.44 "deposited and pending settlement between B. and W. L. D.") B. called on W. L. D. the following day and may have gone through the formality of a settlement. W. L. D. then called up the bank to know if B. had to his credit $73.44, which we answered in the affirmative, asking him at the same time if he had a check for it. On being told that he did not, but only had the ticket of deposit, we informed him that it would be necessary for him to get a check for the amount; then W. L. D. called on B. and was refused a check for $73.44, but was offered a check for $53.44, amount claimed by B. that he owed W. L. D. The check was refused by W. L. D. and on our refusal to honor deposit ticket for $73.44 we are sued by him for non-payment of this deposit. In the meantime we have allowed B. to check out this balance. Are we liable to W. L. D.?

The question in this case is whether your depositor A. J. B. assigned the deposit in bank to W. L. D. and notified the bank so as to make it liable to W. L. D. as assignee of the deposit.

A deposit may, of course, be assigned by the depositor otherwise than by giving his check which, until accepted, does not operate as an assignment and where there is a valid assignment of the deposit and the bank is duly notified thereof, it is bound. But in the present case, the only thing upon which W. L. D. could base a claim of assignment was the transfer of the deposit slip to him by A. J. B. and it has been held that the transfer of a deposit slip does not operate to assign a deposit. A case directly in point is First National Bank *v.* Clark, 134 N. Y. 368, 32 N. E. 38, 17 L. R. A. 589. That was an action brought to recover a deposit alleged to have been transferred by the depositor to plaintiff. Both a check and a deposit slip were transferred, but the court held that neither operated as a transfer or assignment of the debt created by the making of the deposit; that the giving of a check did not operate to assign the deposit where it was not accepted by the banker, nor did the delivery of the deposit slip have that effect. Concerning the latter the court said:

> "The use of the deposit slip is well understood. It constitutes an acknowledgment that the amount of money named therein has been received. It is a receipt and nothing more. No promise is made to pay the sum named on return of the paper; nor is it expected, either by the depositor or depositary, that it will ever be presented to the bank again unless a dispute should arise as to the amount of deposit, in which event it would become important as evidence. It is not intended to furnish evidence that there remains money in the bank to the credit of a depositor, but to furnish evidence as between depositor and depositary that on a given date there was deposited the sum named. It may all, or nearly all, be checked out at the moment of making the deposit slip, but the depositor will not be refused it on that account, for long established usage has fixed its status in banking as a mere receipt, an acknowledgment that the depositor placed the amount named therein on deposit. It is not proof of liability, and it will not support an action against the bank." (Hotchkiss *v.* Mosher, 48 N. Y. 482; 2 Daniel Neg. Insts., §1704.)

It would seem to follow that W. L. D. has no right of action against the bank in this case as the transfer of the deposit slip did not operate to assign the deposit to him.

TRUST COMPANY SECTION

ANNUAL BANQUET SETS A NEW RECORD

The sixth annual banquet of the Trust Companies of the United States, members of the Trust Company Section of the American Bankers Association, was held Friday evening, February 25, at the Waldorf-Astoria. In point of attendance, the dinner set a new high record, for there were actually present a total of 768 bankers and their guests. John H. Mason of Philadelphia, President of the Section, filled the chair of toastmaster admirably, and the dinner was also noteworthy from the fact that it began promptly at 7.30 and was over at 10.30. An informal reception preceding the dinner gave plenty of opportunity for social intercourse.

At the guest table were Dr. Nicholas Murray Butler, president of Columbia University; Henry P. Davison, Howard Elliott, head of the New York, New Haven & Hartford Railroad; Col. Fred. E. Farnsworth, Edwin S. Marston of New York, Eugene Lamb Richards, State Superintendent of Banks; Levi L. Rue of Philadelphia, Ralph W. Cutler, Col. F. H. Fries, F. H. Goff, Mortimer L. Schiff, James Speyer, Frank Trumbull and Maj.-Gen. Leonard Wood, United States Army.

The speakers were Dr. Butler and Mr. Elliott. Dr. Butler spoke on the critical position of the United States with respect to the great world drama now being enacted, while Mr. Elliott took for his topic the government valuation of railroads. The Federal Valuation Act, said Mr. Elliott, would cost the New Haven road alone between $500,000 and $600,000 and the total cost to the railways and the government would run from $40,000,000 to $75,000,000. He went on to say that the country, having encouraged private individuals to invest their funds in public utilities and having imposed upon those investors all the risks of loss, should give to them any rewards of success in management or of good fortune in investment and allow them to have some return upon the increased value of their investments, even if the growth of population of the country in which the public utility was an important factor has produced that increase in value. He said:

"Much has been said about the 'water' contained in American railway securities, and this valuation will, it is hoped, dispel some of the doubt surrounding this important question. Whatever inflation there may have been of some of these properties in the past, the fact remains that present capitalization as a whole is much lower than that of the government-owned railways of Europe, and, what is still more important, the rates charged are the lowest, the service rendered, on the whole, the best and the wages paid the highest. The charge of watered stock can only be made against a limited number of the railways. A very large number of them have been managed well and without scandal or criticism. The capitalization of the privately owned lines of the United States as a whole is about $67,000 per mile, as compared with $125,000 a mile in Germany, $136,000 in Austria, $216,000 in Belgium, $167,000 in Switzerland, $89,000 in Japan and $77,000 in New South Wales.

"Whether or not there was a demand for this valuation is not now the question. The law is here and must be obeyed, and it is to the interest of the railway owners to have the valuation made as rapidly as possible, and railway managers as a whole are heartily and earnestly co-operating with Director Prouty and his large organization in bringing about the desired result. Many of us in the railway service believe that when the final result of this valuation work is obtained and settled by the Interstate Commerce Commission or by the courts, it will show that American railways generally are worth more than the par value of their securities and that the constant charge of over-capitalization will be refuted and one unfortunate element in the settlement of our transportation problem will be eliminated."

Dr. Butler declared that the country was now entering the third era of its national existence, the first having been the period when it "found itself" and the second the reconstruction period following the Civil War. In this third era, said Dr. Butler, "we face a problem absolutely new in the history of the world, a problem of international relation and policy of a democratic government. The world is familiar with the policies of monarchies in such cases, but is ignorant regarding the position of a democracy in such an eventuality. What shall be the international aim and policy of a democracy? How shall we avoid entangling alliances with any one country and preserve cordial relationship with all? We need at this moment a most patient, disinterested and serious consideration of everything relating to international affairs."

The Honorary Committee of Arrangements for the banquet consisted of Ralph W. Cutler, Alexander J. Hemphill, A. A. Jackson, Clarence H. Kelsey, Willard V. King, Alvin W. Krech, Edwin S. Marston, Edwin G. Merrill, John W. Platten, Philip Stockton, Seward Prosser and George C. Van Tuyl, Jr.

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

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FIRST VICE-PRESIDENT
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SECRETARY
MILTON W. HARRISON,
Five Nassau Street, New York City.

MEMBERS OF THE CENTENNIAL ADVISORY THRIFT COMMISSION

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Hon. William H. Taft, New Haven, Conn.
Hon. Charles S. Whitman, Governor State of New York, Albany.
William E. Carson, Riverton, Va.
Hugh Chalmers, Chalmers Motor Co., Detroit, Mich.
R. V. Covington, Jacksonville, Fla.
T. M. Dodson, Bethlehem, Pa.
Thomas A. Edison, Orange, N. J.
C. H. Ellis, United Fruit Co., New Orleans, La.
John V. Farwell, Chicago, Ill.
James B. Forgan, president First National Bank, Chicago, Ill.
Lewis B. Franklin, president Investment Bankers Association of America, New York City.
James, Cardinal Gibbons, Baltimore, Md.
P. W. Goebel, vice-president American Bankers Association; president Commercial National Bank, Kansas City, Kan.
James S. Goldsmith, Seattle, Wash.
James A. Green, The Matthew Addy Co., Cincinnati, Ohio.
Herbert F. Gunnison, "The Brooklyn *Daily Eagle*," Brooklyn, N. Y.
Herbert J. Hagerman, Roswell, N. M.
C. M. Harger, chairman State Board of Corrections, Abilene, Kan.
Alexander J. Hemphill, chairman of board Guaranty Trust Co., New York City.
A. Barton Hepburn, chairman of board Chase National Bank, New York City.
N. B. Holter, Helena, Mont.
Pierre Jay, chairman of board Federal Reserve Bank, New York City.
George S. Johns, "St. Louis *Post Dispatch*," St. Louis, Mo.
William E. Knox, comptroller Bowery Savings Bank, New York City.
William A. Law, president First National Bank, Philadelphia, Pa.
James K. Lynch, president American Bankers Association; vice-president First National Bank, San Francisco, Cal.
Emerson McMillin, New York City.
George A. Mahan, Hannibal, Mo.
J. K. Orr, president J. K. Orr Shoe Co., Atlanta, Ga.
Hon. Eugene Lamb Richards, Superintendent of Banks, Albany, N. Y.
E. L. Robinson, vice-president Eutaw Savings Bank of Baltimore, Baltimore, Md.
M. J. Sanders, New Orleans, La.
William A. Scott, The University of Wisconsin, Madison, Wis.
E. C. Simmons, St. Louis, Mo.
William Sproule, president Southern Pacific Co., San Francisco, Cal.
J. J. Sullivan, president Superior Savings & Trust Co., Cleveland, Ohio.
Lionel Sutro, New York City.
Frank Trumbull, New York City.
Felix Warburg, New York City.
Charles B. Warren, Warren, Cady, Ladd & Hill, Detroit, Mich.
Sol Wexler, New York City.
John N. Willys, president Willys-Overland Co., Toledo, Ohio.
Edward A. Woods, president National Association of Life Underwriters, Pittsburgh, Pa.

NEW YORK EVENING WORLD CO-OPERATES IN CONDUCTING CENTENNIAL THRIFT CAMPAIGN

The New York *Evening World* is one of the powerful agencies through which the Savings Bank Section of the American Bankers Association is working in teaching thrift to the American people this year. The *Evening World* launched a thrift campaign early in January, making an announcement at that time of a series of articles to be published twice a week, and inviting its readers to write of their experiences in saving money. The American Bankers Association, through New York Chapter, American Institute of Banking, contributed $150 to be distributed as prizes to the *Evening World* readers showing the best budgets. The paper added $100, making $250 in all, which will be awarded to the successful contestants about June 1.

There were three reasons why the *Evening World* decided to present this interesting feature. In the first place, it was approved as a live, entertaining news feature; second, it gave every evidence of being actually helpful to the many thousands of readers of the paper; and third, it was peculiarly timely because of the American Bankers Association's celebration of the founding of the first savings bank in the United States.

The thrift campaign took hold immediately. From the time the first article was published letters have been

pouring in from interested readers, who are given an opportunity to talk over their money problems.

No decorations are conferred on the man who puts so much money in the bank that there is none left for clothes or recreation or entertainment. Such articles, if approved, would tend to defeat the aim of the campaign instead of furthering it. The first thought that flashes through the spendthrift's mind when he is approached on the subject of saving is that he will have to give up most of the things that make him happy, and he therefore must be shown that he can save money without depriving himself of what he regards as necessities. For this reason preference is given to letters showing provision for amusements, vacations and other human needs. To be really helpful it is considered that the letters published should not only show the way, but should make the way as easy and attractive as possible.

The thrift campaign was designed primarily to interest and help those having incomes of $150 a month or less, although the contest was open to all. These rather easy conditions opened the way for some interesting contributions, *i. e.*, from readers having incomes much larger. These, of course, are the ones who most commonly live beyond their means, and their problems, frankly set forth on embossed, monogrammed letterheads, reveal struggles quite as trying, in their way, as do those of the man earning $2 a day. Maids, theater tickets, extensive vacation trips and high rents, together with large allowances for food, are given as ordinary necessities in budgets that somehow will not quite do. One woman whose husband earns $300 a month stated that since they had been following the *Evening World* thrift campaign he complained of her inability to save something out of his salary, pointing out the cases of families living comfortably and putting away money on $100 a month. She was evidently discouraged, and so was he, so it is safe to assume that by giving the matter some serious consideration they will reorganize their finances to provide something worth while for the future.

While practically all the letters received are written seriously, the meaning conveyed is sometimes otherwise. One recent contributor, for instance, in commenting on the endowment insurance carried by her husband, said: "There would thus be this further advantage in the death of my husband." It is to be hoped that the omission of the line from the published letter was the means of averting a family quarrel. A foreign-born couple, writing their letter jointly, explained that they had been boarding with relatives for eight months, and in their anxiety to win a prize showed a surprisingly large bank balance. By a little arithmetic the bank account proved to be precisely the same as their combined wages for the time covered. Their letter was not published. The entertainment of the stork is treated as a fixed charge in some families, and while no one can criticize the making of adequate provision for such visits, the regularity of the occurrence lifts it somewhat out of the commonplace.

One type of letter which is particularly helpful and to which preference is given, is from persons who have had particularly hard luck, but who have taken fresh starts and won out in spite of circumstances. There are few accomplishments more praiseworthy than a complete recovery by a man or woman past the prime of life, or possibly middle age. One woman came to New York after she was fifty years old, and, having passed the dreaded age limit, was compelled finally to give up the idea of continuing in an office position. Without even enough money to pay a week's board, she accepted a position as a cook at a salary of $35 a month and board.

Such an unenviable situation would seem to point straight to an oppressive grind for the remainder of one's days, but with a stout heart she began to save every penny possible. When she had accumulated a few hundred dollars she bought some Long Island lots, and gradually she added to them, until now she has taken good profits out of several purchases, and is comfortably fixed for her old age.

The closing sentence of her letter is an inspiration, and there ought to be some means of getting it before the eyes of every young person in the country:

"If an elderly woman can do as much, what wonderful possibilities there are for the young!"

Women suddenly widowed, men and women thrown out of employment by illness, others disqualified by old age, tell how they "come back," and become independent. Their experiences put to shame the idling young men and women who shrug their shoulders and say they can't save anything.

There is one institution which stands out as a bulwark of safety and that is the savings bank. It is the one universally acknowledged medium for saving money; it is the haven for the shipwrecked financier; it is the great transformer in which discouragement is changed to hope, and failure to success. It welcomes small deposits, guards them jealously and returns them with profit to the owner when he regains his balance and can take advantage of attractive opportunities. The successful family budget is built on the savings bank account.

The *Evening World's* part in the centennial thrift campaign is attracting much attention outside of New York and the metropolitan area. Numerous letters are received from cities in Canada, and one came from Arizona. Communications are commonly sent from Connecticut, New Jersey and nearby states. These facts are of great value to all concerned with the country-wide thrift campaign being conducted by the Association.

The present time seems wonderfully favorable for carrying forward this campaign. All signs point to a tremendous, record-breaking year of prosperity in the United States during 1916. Millions on millions will be made, but if real and lasting benefits are to be gained, the men and women who are earning increased wages and salaries must learn to save and invest more wisely than they ever have before. To many the oncoming prosperity simply means more money to spend; not more money to save and lay aside for the future. Every agency possible should be put in operation to show the people of this country the value of saving, and *now* is the most propitious time the country has ever known.

An article of this kind would not be complete if it did not show some tangible results of the campaign now being carried on. The receipt of hundreds of letters show unmistakably that thrift is being talked about in a great many homes; casual inquiry brings to light the fact that the thrift numbers of the *Evening World* are being used by sales managers and executives in their promotion work, and it is a fact that many persons buy the *Evening World* regularly to read the thrift articles.

But the best evidence of all, of the results achieved, is the direct statement showing that the *Evening World* campaign is responsible for starting the saving habit. A typical letter is reproduced herewith:

"To the Thrift Editor of the *Evening World:*

"We owe our start, or at least our possession of a bank book, to the campaign now being conducted by the American Bankers Association through the co-operation of the *Evening World.* Seven years married, getting a salary of $100 a month, never saved a cent, until we began to read your articles in the *Evening World.* Maybe we have been asleep, but believe us, we are wide awake now. On December 28, 1915, we deposited $2.50; January 16, 1916, we deposited $5, making a total of $7.50, and another deposit is to be made February 15.

"We are not depriving ourselves of anything more than we did before we had our bank book. On every pay day, which occurs twice a month, we intend to deposit a small sum.

"I hope these articles have taught others a lesson, as I firmly believe we would never have made a start if it had not been for same, thanks to the American Bankers Association and the *Evening World.*

"Mr. and Mrs. T. McG."

SPRINGFIELD'S THRIFT WEEK

To arouse a community on any subject requires generalship and administrative ability of the highest order; first, to plan well; second, to execute well, and incidentally to finance the undertaking. All three qualities being possessed by Mr. W. Bruce Pirnie, industrial secretary of the Springfield (Mass.) Y. M. C. A., Springfield's Big Thrift Week was naturally a success. It has gripped the town like a Billy Sunday campaign. It is producing results. The Springfield banks report the biggest day in the history of their savings departments on the Monday following Thrift Week.

The Y. M. C. A. naturally affords the easiest and best medium for such a campaign because of the organization, the freedom of the officials to engage in such work, and because the association is non-partizan. With this as a center, certain other mediums are logically in line, namely, the schools, churches and factories. The "movie" having come to stay and being recognized as one of the

DR. NEIL McPHERSON ADDRESSING A NOON-DAY THRIFT MEETING AT SPRINGFIELD, MASS.
Portrait in oval, W. Bruce Pirnie, Industrial Secretary Springfield Y. M. C. A., in Charge of Thrift Work

most effective methods of teaching, the lesson of thrift through the moving picture can be used everywhere to good advantage.

To preach thrift—practical thrift—to varied audiences, running from little children to the elite of the town, is not an easy task and a speaker has to possess a wide adaptability, resourcefulness, tireless energy, enthusiasm and force. Possessing these qualities, the former secretary of the Savings Bank Section, Mr. W. H. Kniffin, Jr., was secured as the principal speaker for the week, addressing twenty-one audiences in four days, running from 300 little tots in the primary grades to the vast audience of over 4,000 that crowded the auditorium on Sunday afternoon, the attraction being, not thrift, but a Metropolitan Opera House star and a men's glee club of sixty voices.

Mr. Pirnie got the idea from Dayton's campaign last fall. Then he went after the money to carry it out. This was furnished by six banks of the city and the Underwriters Association, to the extent of $700, sufficient to pay all bills. The newspapers were next enlisted, one in particular giving a series of free advertisements that added much to the dignity and effectiveness of the campaign. The city pastors were asked to preach thrift, the trolley cars carried thrift signs and 10,000 "Boost Thrift" buttons were worn. Fully 20,000 people heard the thrift messages, half as many saw the "Reward of Thrift" in the movies, 60,000 got thrift pamphlets and through the reports of the meetings the newspaper clientele got the gist of the talks.

SECTION NOTES

The Savings Bank Centennial Committee is completing a plan for co-operative savings which will be offered to industrial corporations in the United States. The plan will be given in detail in the April JOURNAL.

The school savings plan and the co-operative savings plan for workingmen will be two features which will give permanency to the centennial thrift campaign and mark a new era in the history of savings banking in America.

Members will bear in mind the dates for the celebration of the Savings Bank Centennial in New York City, November 15 to 17. It will be a never-to-be-forgotten celebration to those who attend. The Biltmore Hotel will be the headquarters. Particulars later.

The campaign button has been completed. They may be bought from the Whitehead & Hoag Company, New York City, at $4.65 per 1,000. It is a silent advertiser for savings accounts. They are to be distributed to depositors. "I save $. Do you?" will undoubtedly result in many people asking the wearers of the button where they deposit their money.

About 750 cities and towns in the United States and Canada are conducting thrift campaigns at the instigation of the American Bankers Association.

The Chapters of the A. I. B. are doing excellent work to promote the campaign and deserve credit and considerable commendation.

If some of the Chapters could be impressed with the responsibility of conducting the campaign which has been given them there is no telling to what limit they could go. There are some Chapters that are not taking full advantage of this opportunity. We are receiving letters regularly from people in Chapter cities asking for information, who are anxious to work if they could secure some direction. The Chapters can furnish it if they will.

Most of the newspapers are co-operating in a splendid manner to make the campaign a success. There are a few newspapers, however, which imagine that when an article refers to thrift some bank should pay for it as advertising. This is evidently the result of either lack of understanding or too much commercialism. Such newspapers need a broader range of vision.

Four thousand sets of thrift talks are being sent out each month to interested banks and people, newspapers and schools.

The Brooklyn *Eagle* has given the campaign several boosts; for example, the facsimile on another page of this issue.

The committees on thrift work and public affairs of the A. I. B. are responsible for accomplishing splendid work for the campaign.

The American Press Association still has a number of plates containing thrift copy, which they will furnish to newspapers when ordered by the banks at $1.60 or $2.10 per page, according to geographical location.

Over 3,000 text-books on thrift have been furnished to banks and interested persons upon their request. *Have you received a copy?*

The Section still has a number of copies of the Book of Forms for savings banks and savings departments in commercial banks and trust companies, which will be supplied to members at $4 per copy, $7 to nonmembers.

About 900 new members have been enrolled in the Savings Bank Section during the past month as the result of a membership campaign.

Section 18 of the Moss rural credits bill (House of Representatives), which provided a savings department for the Federal farm loan banks, has been withdrawn from the bill.

The Savings Bank Section acknowledges with considerable appreciation the resolution of the National Bank Section indorsing the Centennial Thrift Campaign.

Members are referred to the pages of the *Bulletin* of the American Institute of Banking for additional material concerning the thrift campaign as well as the course in savings banking.

In the reproduction of the first circular of the Savings Bank of Baltimore, contained in the article on "Savings Banking in the United States" in the February issue of the JOURNAL-BULLETIN, it was stated that the circular was issued in 1888. This was a printer's error. The correct date is 1818.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

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VICE-PRESIDENT
W. D. VINCENT, Vice-President Old National Bank, Spokane, Wash.

CHAIRMAN EXECUTIVE COMMITTEE
JOHN McHUGH, Vice-Pres. Mechanics & Metals Nat'l Bank, New York, N. Y.

SECRETARY
JEROME THRALLS, Five Nassau Street, New York City.

"NO-PROTEST" CASH ITEMS

The "No-Protest" cash items in transit symbol plan as outlined in the July edition of the JOURNAL-BULLETIN is meeting with favorable consideration and promises to become universal in its cope. Through the efforts of L. H. Hendricks, assistant cashier and transit manager of the Federal Reserve Bank of New York, that institution adopted the plan and has so notified its respective members. A telegram received from J. Z. Miller, Jr., governor of the Federal Reserve Bank of Kansas City, indicates that institution is considering the plan and will likely adopt it at an early date. Other Federal reserve banks, and many of the good commercial banks, both large and small, have signified their intention of using the idea when their present supply of cash letters is exhausted.

This method of conveying "No-Protest" instructions to the final collecting agent should appeal to every transit manager and to every bank official. It is a labor-saver; can be put into operation at a very small initial expense; is simple in its nature and will eliminate many of the vexatious claims and troubles that arise from time to time under the old complex system.

UNIVERSAL NUMERICAL SYSTEM SUPPLEMENT

Rand-McNally and Company of Chicago, official numbering agents, have ready for distribution the March supplement to the September, 1915, edition of the "Key to Numerical System." Members not receiving a copy direct are requested to communicate with Rand-McNally and Company, who will forward such of these supplements as may be needed. The continued success of the system depends to a large degree upon the co-operation of the members of the Association. If members will report to this office the names of any new banks that may be organized in their community, such courtesy will be appreciated.

FORMS FOR ORGANIZATION

Suggested articles of association, by-laws and forms will be prepared for the use of any group of banks that may desire to organize a clearing house association. It is hoped to have these articles, by-laws and forms ready for distribution within the next thirty days. Application for copies may be made to Rand-McNally & Co., Chicago.

NATIONAL BANKS AT HIGH-WATER MARK

The Comptroller of the Currency, in making public the figures relating to the condition of all national banks at the date of the last call, December 31, 1915, said:

"The national banks of the United States in their statement of December 31, 1915, again broke all records. Their resources aggregated $13,467,000,000, an increase since December 31, 1914, of $2,110,000,000, and an increase over the November 10, 1915, call of $231,000,000.

"The increase in deposits during the twelve months' period was $2,163,000,000; the increase between November 10 and December 31, 1915, was $223,000,000. Total deposits, including balances due banks and bankers were $10,379,000,000.

"Loans and discounts increased, as compared with December 31, 1914, $1,010,000,000, and as compared with November 10, 1915, $123,000,000.

"Bills payable and rediscounts amounted to $98,000,000, a decrease as compared with December 31, 1914, of $34,000,000, and a decrease as compared with November 10, 1915, of $5,000,000.

"United States bonds held decreased during the year $20,000,000, while the holdings of other bonds and securities increased during the year $104,000,000.

"The national banks increased their holdings of specie during the twelve months $154,000,000, notwithstanding the increase during the same period of gold holdings by the Federal reserve banks.

"The number of reporting national banks on December 31, 1915, was 7,607 against 7,581 on December 31, 1914."

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

PRESIDENT
FRED. W. HYDE, Cashier National Chautauqua County Bank, Jamestown, N. Y.

VICE-PRESIDENT
J. S. CALFEE, Cashier Mechanics-American National Bank, St. Louis, Mo.

CHAIRMAN EXECUTIVE COMMITTEE
J. ELWOOD COX, President Commercial National Bank, High Point, N. C.

SECRETARY
JEROME THRALLS, 5 Nassau Street, New York.

GROUP BANKERS RENEW PROPOSAL TO ABOLISH THE OFFICE OF COMPTROLLER OF THE CURRENCY

At a meeting of Group Six of the Pennsylvania Bankers Association the abolition of the office of Comptroller of the Currency was asked for in the following resolution:

We protest against any movement on the part of the Federal Reserve Board to force member banks into the system of collecting through the Federal reserve banks of the several districts unless arrangements be made to allow a fair rate of exchange.

We protest against the alleged disposition of the present Congress to refuse consideration to such amendments of the Federal Reserve Act as the experienced bankers of the country deem important to the best working of the system.

It is the judgment of this Group that the best interests of the banking community would be served by the abolishment of the office of the Comptroller of the Currency.

At a meeting of Group Five of the New York State Bankers Association, E. C. McDougal, president of the Bank of Buffalo, said that with the inauguration of the Federal reserve system the office of Comptroller of the Currency became superfluous and that its continuance would be harmful. The reasons for the suggestion, Mr. McDougal said, would be found in the dual supervision and the divided responsibility which must lead to conflict. "Nobody knows this better than the Federal Reserve Board itself," continued the speaker, and he denied that the dissension between the national banks and the Comptroller was due only to the dissatisfaction among the bankers who are being disciplined. He declared that bankers generally disapprove many of the Comptroller's acts.

The check collection system and the plan to compel member banks to join it and the methods of the Comptroller of the Currency are the two matters that are of vital interest to country banks. While there has been no concerted action on any suggestion for the withdrawal from the reserve system of country banks, the suggestion has been made many times and in many places. More than once some conservative man has headed off a resolution to that effect, and such resolutions always seem to have numerous supporters. The country banker usually says that he has no intention of withdrawing from the system; he wants to know whether or not he is to be driven out of it.

The matter in regard to check collection was summed up by McLane Tilton, Jr., secretary of the Alabama Bankers Association, in a recent letter to the Comptroller of the Currency. Mr. Tilton wrote:

The apparent intention of the Federal Reserve Board to force us to clear at par through the Federal reserve banks will likewise deny to Group Three banks a source of revenue that, with many of them, constitutes a large part of their net earnings. The result of this operation, in the majority of instances, will merely increase the profits of Group One banks in the collection centers, which pay this toll and whose earnings are satisfactory over and above this item of expense.

If the law permits these things it should be speedily amended. If the law does not permit them they should not be done. If done, lawfully or unlawfully, it is the equivalent of driving hundreds of banks out of the system.

There has been apparently no assent on the part of the country banker to the par collection of checks. As yet there has been no suggestion for the application of this phase of the law or for the modification of the existing rules that make the plan satisfactory. The theoretical argument that the par collection will have counterbalancing advantages has not yet been presented in a form sufficiently clear or cogent to persuade the country banker, to whom the profit from collections amounts to from 20 to 60 per cent. of his total gains.

In some measure the attitude of hostility to the Comptroller is also linked up with the question of profits. Mr. Tilton covered this item in his letter to the Comptroller also. He said that the information asked for as to interest rates charged by his bank could not be compiled within the five days allowed by law and could not be done at all without employing an additional bookkeeper, an item of expense the bank could not afford.

The amount of work involved in compiling the information requested by the Comptroller is understood only by bankers. It is becoming commonplace for a country banker to preface a letter with the apology that delay in replying was occasioned by engagement in gathering information for such report. How much a whimsical demand by the Comptroller for information

may cost the banks in dollars is as difficult to compute as it is to ascertain the cost of such demands in terms of night work by thousands of bank clerks. One set of questions from the Comptroller's office often means nights of labor and all the inconvenience and annoyance that accompanies delayed meals and the overturning of domestic arrangements. To such complaints the Comptroller, of course, has the ready answer that additions can be made to the number of employees. He has, in fact, made such a recommendation to one bank which, for the first time in its history, passed a dividend last January and marked up a loss of a few dollars on the year's operations. For that bank the suggestion involved an increase in its deficit. Speaking of the Comptroller's forms, Mr. Tilton says:

> Since you took office these forms have steadily increased in volume and intricacy of data asked for. Very little of it has anything to do with the solvency, successful or lawful operation of banks. This data is as useless as it is difficult to obtain with the accuracy insisted upon. To keep up with such data day by day is an utter impossibility. To compile it in five days after notice of call is scarcely less so.
>
> Country banks have no army of expert employees ready to be summoned by a push button. Three officers or employees is the rule. More have two only. In the majority of cases they are underpaid and overworked by the daily routine. * * * In these circumstances your call * * * requires somebody (in my own case) to make 3,000 separate interest calculations on notes made during the past year. Most of these are for odd amounts and for odd maturities; each calculation requires that the journal be compared with the discount register to see if a new paper, or a renewal in full or part, has been entered. And yet every reasonable purpose intended by this subdivision can be attained with sufficient accuracy by the examiner in a few minutes' résumé of the discount register, or by a general question directed to the bank.

In conclusion Mr. Tilton asserted that the Group Three banks "perform a peculiar and important function in American business." They are the only ones, he said, that come in direct contact with farmers, and added: "No city bank can render to American farmers the facilities we extend. When we are struck down the American farmer will suffer with us."

Mr. Tilton's assertion that the farmer will "suffer with us" gives the Comptroller's allegations of usury a turn which has not been the subject of much discussion. In the estimated number of 30,000 banks in the country there is included about everything in the shape of a money-lending organization. The banks cannot be considered on the same level as performers because there is a great variety of borrowers who are constantly in search of loans. There is even greater diversity among the borrowers than among the lenders. The rates of interest they are willing to pay and that they not infrequently offer to pay has no relation whatever to the rate which is fixed in any statute. It is common enough that a man is willing to give 50 per cent. of the prospective profit in an undertaking in return for the funds which will permit him to proceed with his plan. A plan of that kind is not a banking proposition, but from it the general scheme may be scaled down to an approximation of the truism that a business man customarily refuses to borrow money unless it is to his advantage. He does not consider the interest rate in relation to any political promise of cheap money or to the statute which declares anything beyond the amount it fixes to be usury; he considers it in relation to the prospective gain he may make from its employment in his business. If this were not so no increase in the rate of discount would halt business and there would be no way of giving notice that money was plentiful or scarce.

On the part of the lender the rate of interest he may charge is fairly determined by whether money is plentiful or scarce and the time for which the loan is asked. The question of security, no matter what its nature, is included in the element of risk. The element of risk is to be determined in its degree by the judgment of the lender. The lender may consider the character of the borrower, his ultimate security in the form of property holdings and such assets as his health, his business ability and the chances of success of the particular enterprise for which he is securing funds. In any event, these factors must all be determined and classified before it can be ascertained whether the proposition is one that comes within the rules of safe banking operation.

These rules have great flexibility, if they are rules at all. If a country bank were to apply the rules which obtain in a bank in a large city it would make no loans worth mentioning. The banker's intimate knowledge of the community in which he lives and of the men with whom he deals is, in the last analysis, the determining factor. If through inhibitory laws a serious attempt is made to place loans in a fixed category and take away from the banker the exercise of judgment and discretion in loaning money, the business of banking will be diminished in its extent, bankers will suffer losses, but the borrowing community will suffer more.

Paul M. Warburg has pointed the way for the legitimate equalization of interest rates. It is extremely doubtful if any other method will be either effective or satisfactory.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
HAYNES McFADDEN, Secretary Georgia Bankers Association, Atlanta, Ga.

FIRST VICE-PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

SECRETARY-TREASURER
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

MINNESOTA CO-OPERATES WITH THE INSTITUTE

The Minnesota Bankers Association has made an arrangement with the Correspondence Chapter of the American Institute of Banking somewhat simpler than the plan recently introduced in Kansas. In Kansas there are numerous cities almost but not quite large enough for regular city Chapters. For such cities a system of study classes is provided. In Minnesota there are city Chapters at Duluth, Minneapolis and St. Paul, and the size and circumstances of other cities are such that it has been deemed expedient to confine the educational work of the Minnesota Bankers Association to individual corespondence instruction. In the arrangement between the Minnesota Bankers Association and the Correspondence Chapter of the Institute educational objects and methods are described in detail so that everybody can readily understand the exact character of the work undertaken. The details of the Minnesota plan are as follows:

The Minnesota Bankers Association is hereby appointed agent of the Correspondence Chapter of the American Institute of Banking Section of the American Bankers Association for the purpose of furnishing instruction to students outside of Chapter cities and their suburbs in the state of Minnesota in accordance with the objects and methods of the American Institute of Banking as hereinafter described.

INSTITUTE ORGANIZATION.—The American Institute of Banking Section of the American Bankers Association is devoted to the education of bankers in banking and the establishment and maintenance of a recognized standard of education by means of official examinations and the issuance of certificates of graduation. In suitable cities bank officers and employees are organized in Chapters for educational work in accordance with the class method of instruction. Students outside of city Chapters are associated in the Correspondence Chapter and provided with instruction by mail. Chapter organization and education are thus made uniform and universal. Correspondence Chapter instruction in the Institute study course is particularly adapted to conditions in Minnesota outside of city Chapters and is therefore made the basis of educational work conducted by the Minnesota Bankers Association. Such work is supplemented by instruction in Minnesota State Banking Law.

INSTITUTE STUDY COURSE.—To qualify students for official examinations for Institute certificates, which are termed final examinations, the Institute provides a standard course of study in the form of serial text-books and included exercises which will be supplied to students in Minnesota by the Minnesota Bankers Association. Such study course is divided into two parts. Part I pertains to BANKING and such principles of economics as apply to the banking business and consists of (1) a text-book and included exercises entitled "Banks and Banking," (2) a text-book and included exercises entitled "Loans and Investments," (3) a final examination in review of the two text-books and included exercises thus provided. Part II of the Institute study course pertains to LAW with special reference to negotiable instruments and consists of (1) a text-book and included exercises covering the subject of "Commercial Law," (2) a text-book and included exercises covering the subject of "Negotiable Instruments," and (3) a final examination in review of the two text-books and included exercises thus provided. Such provision of three examinations is a logical medium between the English system of prescribing two examinations—one preliminary and one final—and the system of division into numerous small lessons necessitating expensive operation without corresponding benefits. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examination in both Part I and Part II of the Institute study course.

CORRESPONDENCE INSTRUCTION.—In correspondence instruction in Minnesota the Minnesota Bankers Association as agent of the Correspondence Chapter supplies individual students with the serial text-books and included exercises that constitute the Institute study course. The exercises in connection with each text-book are to be written by students and submitted to the Minnesota Bankers Association whenever done. The work of students thus produced is corrected and returned with such criticisms and suggestions as may be helpful in each case. The personal relationship thus established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thought and thoroughness. The text-books provided in correspondence instruction are educational food. The collateral examinations constitute the process of digestion. To conduct correspondence work thus described the Minnesota Bankers Association shall employ one or more competent persons subject to the approval of the Correspondence Chapter whose duties shall be to (1) correct the exercises submitted by students as prescribed in connection with respective text-books, (2) to answer questions asked by students during the progress of their work, (3) to conduct final examinations and grade the same in accordance with conditions prescribed by the Correspondence Chapter. Answers to final examinations thus graded, however, shall be submitted through the Correspondence Chapter to the American Institute of Banking for revision. The Institute may not make many if any changes in such gradings by instructors, but it reserves the right to do so.

COST AND CONDITIONS.—To individual students in Minnesota the cost of correspondence instruction in the Institute study course, including text-books and serial as well as final examinations, is $15 for Part I pertaining to banking and $15 for Part II pertaining to law, less one-third to officers and employees of institutions that are members of the Minnesota Bankers Association. Checks for correspondence instruction should be made

payable to the order of the Minnesota Bankers Association, and sent to Geo. H. Richards, secretary, Minneapolis, Minn. No particular form of enrolment is required.

CENTRAL STATES CONFERENCE

In accordance with the usual custom of holding a conference each year about this time, the presidents and secretaries of the state bankers associations in a dozen central states will come together at Chicago, Tuesday and Wednesday, March 21 and 22 at the La Salle hotel. These meetings have always been profitable and instructive in the past. Wm. B. Hughes, secretary of the Nebraska Bankers Association, is chairman of the conference.

BANKER-FARMER EXCURSION

Under the auspices of the Agricultural Committee of the Wisconsin Bankers Association, a "banker-farmer excursion" has been arranged for March 28 and 29 to the Agricultural College at Madison, which will give up two entire days to demonstrations for the benefit of the excursionists. In a circular letter sent out by Secretary George D. Bartlett, member banks are urged to send some official and invite a limited number of farmers in the locality to take part in the trip. The program as tentatively outlined provides for sessions morning and afternoon of both days, with moving picture lectures, practical demonstrations at the university farm buildings, short talks by practical men, questions and discussions by farmers and bankers, etc.

THE NEW ENGLAND MEETING

The New England Bankers Association, as will be seen by reference to the Convention Calendar, will hold its annual meeting at Swampscott, Mass., June 16 and 17. This continues a custom which, although operative but a short time, has been found profitable and enjoyable in every way. Last year's gathering at New London, Conn., was a great success. Whether each of the state associations in New England will hold its annual convention at the same time as the general gathering is entirely optional with each association.

VERMONT CONVENTION

The Vermont State Bankers Association held its seventh annual convention February 22 at St. Johnsbury, with an attendance that was very gratifying. There was a business session at 4.30 P. M., when the visitors were welcomed by Judge Walter Smith, H. L. Ward responding. The annual address of President H. H. McFarland was particularly interesting in its discussion of general problems as well as state conditions. Among other things Mr. McFarland said:

"The slogan of the new religion is co-operation. It is in the air—co-operation not only between men doing the same business as between banker and banker, farmer and farmer, but between banker and farmer and between men of all kinds of business. The American Bankers Association and many of the state associations are already actively enrolled in this work of mutual helpfulness."

F. C. Williams, State Bank Commissioner, addressed the convention, after which discussion ensued on matters of interest to the members. Rev. Paul D. Moody was toastmaster at the banquet which followed.

The officers elected for the current year are: President, H. G. Woodruff, director National Bank of Orange County, Montpelier; vice-president, A. H. Chandler, treasurer Bellows Falls Trust Company, Bellows Falls; secretary, C. S. Webster, treasurer Barton Savings Bank & Trust Company, Barton (re-elected); treasurer, D. L. Wells, cashier First National Bank, Orwell (re-elected).

CONVENTION CALENDAR

Mar.	21-22	Conference of Presidents and Secretaries of State Assns.	Chicago
April	7-8	Florida	Daytona
April	14-15	Louisiana	Alexandria
April	25-26	Arkansas	Little Rock
April	27-29	Alabama	Pensacola, Fla.
May	2-4	Texas	Houston
May	8-10	Ex. Council, A. B. A.	Briarcliff Manor, N. Y.
May	11-12	Kansas	Salina
May	11-12	Reserve City Bankers	Detroit
May	16-17	Tennessee	Knoxville
May	18-20	California	Fresno
May	18-19	Pennsylvania	Philadelphia
May	23-24	Mississippi	Laurel
May	23-24	Missouri	St. Louis
May	23-25	Maryland	Baltimore
May	25-27	Georgia	Macon
May	——	New Jersey	Atlantic City
June	8-9	New York	Atlantic City
June	12-13	Idaho	Lewiston
June	15-16	North Dakota	Minot
June	15-17	Washington	Everett
June	16-17	Massachusetts	Swampscott
June	16-17	New Eng. Bankers Assn.	Swampscott, Mass.
June	17	Maine	Swampscott, Mass.
June	17	Rhode Island	Swampscott, Mass.
June	20-21	Iowa	Waterloo
June	22-23	Minnesota	Minneapolis
June	28-29	South Dakota	Sioux Falls
June	——	Oregon	Portland
Aug.	8-9	Wisconsin	Madison
Aug.	25-26	Montana	Miles City
Sept.	12-14	Ohio	Columbus
Sept.	20-22	Am. Inst. of Banking	Cincinnati
Sept.	25-30	Amer. Bankers Assn.	Kansas City, Mo.
Sept.	——	Kentucky	Paducah
——		Utah	Ogden
——		West Virginia	Wheeling
——		Farm Mort. Bankers Assn.	Memphis, Tenn.
Oct.	3-5	Investment	Cincinnati

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

FORUM OF THE INSTITUTE

ACCEPTANCES AND DISCOUNTS

The Institute Forum has received so many inquiries regarding acceptances and discounts that a comprehensive answer has been obtained from Romaine A. Philpot of Lazard Freres.

ELIGIBLE COMMERCIAL PAPER.—In the opinion of Mr. Philpot, no other subject contained in the Federal Reserve Act is of such vital concern to banks and business as the regulations governing commercial paper eligible for discount at the Federal reserve banks. The establishment of a market for commercial paper with facilities for discounting and rediscounting is the *one* principal feature in the act, which lends a sensation of confidence and assurance to banks and the business community. It tends to create credit, which is the most valuable asset in all business and the foundation of all trade. It is that which lends elasticity to our present currency system and does away with the necessity of calling loans at inopportune times. And what is still more essential, with our banks being able to discount and to secure Federal reserve notes through discounting, it will eliminate the necessity of suspension of cash payments, doing away with hoarding of money or refusal to pay it out on demand. It will ultimately result in commercial paper loans at lower rates of interest, on account of its more liquid qualities, which may favorably compare with rates prevalent abroad under normal conditions.

REDISCOUNTING.—In Europe rediscounting has been a banking practice of long standing, the advantages of which have been appreciated and advocated by some few of our bankers, although, broadly speaking, the American banker has considered it in the past a bad banking practice, for some reason difficult to determine, unless by reason of the very absence of a dependable discount market. It is true that it has to some small extent been indulged in by some of our Southern States, which did not share the general opinion of our Eastern bankers, and to some small extent in Eastern States between banks and their reserve agents in certain proportion to their reserve balances with the latter. The practice of domestic rediscounting during the short period of its existence has clearly established itself in principle as a dependable source to our financial institutions, to be relied upon in case of need, and it may be safely said that its development would make impossible a repetition of a national catastrophe like the panic of 1907, when the country banks were unable to secure in New York their usual loans, their rediscounts and the return of their surplus funds, which they had in New York depositories, over and above their required reserve, and were, as a result, forced to suspend cash payments to protect themselves against ruinous contingencies. However, while the principle of rediscounting is of great importance to business in general and when unforeseen contingencies, panics and crises require it, its greatest value will be evidenced when unusual and abnormal conditions will create emergencies requiring extension of credit facilities, such as will present themselves with the hoped-for end of European hostilities, when the tremendous destruction of property abroad and wastage of capital will be followed by a marked advance in interest rates abroad, which is bound to attract our capital.

ESTABLISHMENT OF CONFIDENCE.—This feeling of assurance, eclipsing all element of uncertainty, is the result of the prescribed duties which the Federal reserve banks will have to perform for member banks, *i. e.*, the purchase or rediscounting of commercial paper owned by the latter and which is eligible for rediscount within

the meaning of the act—to enable them to turn a large portion of their assets into ready money. In addition to the paper described by the Federal Reserve Act as eligible for discount, a ruling of the Federal Reserve Board appertaining to eligible paper, which was promulgated in the early part of February, 1915, gives to the Federal reserve banks also the privilege of buying bank acceptances without requiring the indorsement of a member bank, if they have secured a satisfactory statement of the financial condition of the acceptor, which in form responds to the requisition of the Federal Reserve Board. In a regulation of September 7, 1915, the Federal Reserve Board defines bankers' acceptances eligible for discount as follows: "Acceptances must have been made by a member bank, non-member bank, trust company or some firm, person, company or corporation engaged in the business of accepting or discounting." And a further regulation of the same date mentions that "a bill of exchange accepted by a 'banker' may be considered as drawn in good faith against 'actually existing value' when the acceptor is secured by a lien or by a transfer of title to the goods to be transported or by other adequate security."

REDISCOUNT MARKET.—In weighing the regulations and definitions regarding commercial paper eligible for rediscount, it is quite evident and noteworthy that the advisers of the Federal Reserve Board realized the value of and attempted to follow the long-established European banking customs, which prompted their recommendation that maturities of discounted bills should be well distributed and self-liquidating, enabling the reserve banks to liquidate, when occasion requires it, about one-third of their investments in ninety days paper within a period of thirty days—truly a most important quality considering that member banks are permitted to count balances with Federal reserve banks as equivalent of cash reserves. However, they lost sight of the fact that England lends not only against her own paper but largely on commercial paper of other nations and may, therefore, with impunity call upon them when funds are needed. Not so with us. Our market is limited to this country and our banks are not permitted to discount paper accepted in foreign lands. Should our banks be called upon to liquidated one-third of their assets within a month a conversion so quickly done is likely to have a paralyzing effect upon business of our country. The establishment of a rediscount market has revolutionized our banking methods. It has converted commercial paper from a slow asset into a prime and quick asset, thereby giving it certain advantages over collateral security as investment or loans, and the development of the acceptance and discount market will, without doubt, result in replacing of collateral loans by the granting of loans against commercial paper or by purchasing the latter, much to the advantage of the business community.

WHAT IS A "REDISCOUNT"?—A merchant wishes to convert into cash a note or acceptance of his customer. He indorses it and discounts it with his bank, the proceeds being credited to his account. At some future time his bank, requiring additional funds, indorses this same paper and procures its discount at a Federal reserve bank. The paper has now been "rediscounted' and has a threefold security, emanating, firstly, from the credit standing of the maker; secondly, from the weight which the indorsement of the merchant carries with it, and thirdly, from the value which is given it by the indorsement of the bank which has discounted it with the Federal reserve bank.

WHAT IS AN "ACCEPTANCE"?—Heretofore when a merchant sold goods in the domestic trade he would receive either cash or a note in payment, or would charge the invoice amount in account. An adoption of the acceptance system, as it has been carried on in trades with foreign lands, would be of much advantage to him. It is the simplest, safest and most economical method of handling the credits arising out of the ordinary exchange of goods. It involves a minimum risk to the shipper of the goods. The procedure may be described as follows: He draws a draft on the buyer and with shipping documents attached sends this draft to his local bank with instructions to deliver the documents to the drawee upon due acceptance of the draft only. The bank, in turn, forwards these papers with corresponding instructions to a bank in the city of the purchaser. The purchaser runs a minimum risk in accepting the draft, for he only does this upon receipt of the shipping documents, which are evidence that the goods have been shipped. The result is a double name paper. The purchaser of this paper has an investment clearly showing that it arose out of a commercial transaction, as it bears the names of all parties concerned, while a promissory note given by a merchant, so far as face evidence goes, might have arisen out of a transaction other than such as make paper eligible for rediscount by the Federal reserve bank.

ADVANTAGES.—From the practice of accepting commercial paper may be derived distinct advantages both to banks and their customers which evidently are even now being recognized throughout the country, judging from the increased and responsive tendency toward the creation of such paper, a considerable portion of which has of late found its way to New York's discount market. Among these advantages there are the following few worthy of especial mention: The bank customer may borrow more readily and cheaply by means of an acceptance than a promissory note. The use of acceptances enables financial institutions to conveniently arrange their customer's legitimate business transactions without employing their own funds. Banks having surplus funds may invest in prime acceptances, to be placed in portfolio until maturity, or when funds are again required, to be sold in the open market. And a remunerative business feature may be gained by banks and trust companies as acceptors on behalf of their customers, in consideration of a commission, of drafts arising out of importation and exportation of merchandise and by state banks as acceptors of domestic "trade paper." According to the Federal Reserve Act, as set forth in section 13, acceptances by a bank are limited to an amount, in the aggregate, not more than

one-half of its paid-up capital stock and surplus—seemingly a wise measure and restriction to assure a cautious inauguration of the bank-acceptance business, in which the American banker, broadly speaking, has had little experience.

FINANCING FOREIGN TRADE.—In their entirety, however, the provisions in section 13 advocate the creation of an acceptance market in the United States, similar to that existing in Europe, the most important medium through which European countries have developed their ocean-borne trade, and the establishment of this newly created acceptance market is bound to prove of greatest value to our international merchant in the furtherance of his foreign enterprises. Prevalent conditions in the world markets and the ensuing requirements of our newly acquired foreign trade, attended by an abatement of foreign trade objection to dollar drafts and supported by the actual establishment of a discount market in the United States, are a pronounced impetus to the development of this newly inducted acceptance market, and it may be confidently expected that as time advances and a transition from the abnormal to the normal state of international relation has taken place, the worthiness of American bank acceptances will become recognized by the European buyer of commercial paper to an extent that will enable American importers to finance their transactions by means of "dollar drafts" through American banks, instead of following old methods.

FORMER DISADVANTAGES.—As a result of the former reluctance of our banks and the former uncertainty as to their ability to rediscount their commercial paper, American bankers have been at a considerable disadvantage compared to other countries, whose progress in banking has been largely supported by a far-reaching and dependable rediscount market. With a continued development of and an increasingly dependable and ever-ready market in the United States for rediscounting of paper, our bankers and commercial interests will come to depend more and more upon commercial paper, and the general economic and financial development in the United States, by reason of these advantages, may be largely relied upon to sustain us when we shall have to meet the tremendous demands which with coming peace abroad will be made upon our resources because of European rehabilitation, etc., and which may become still greater in the recurrently predicted event of a continued process of our expansion in the broad field of foreign commerce, which heretofore was to a large degree monopolized by the now warring nations and favored by their financial resources and commercial initiative.

LATIN AMERICA.—Prior to the beginning of the war trade between European nations and Latin America was based upon long term credit extension by the former by means of acceptances, greatly to the disadvantage of the American merchant. The establishment of our discount market is certain to be an incentive and support to the development of the possibilities of our ocean-borne trade, to which end, by reason of the opportune moment, our efforts have already achieved stimulating success in the cutting of a channel, sustained by the increased prestige and superior status which the American dollar has gained throughout the domain of foreign commerce during the period of instability of all other exchanges, and which, without doubt, will become augmented through Teutonic tendencies inimical to pound exchange. In this connection it may be of interest to explain the bank-acceptance business prevalent in foreign countries.

ACCEPTANCE HOUSES.—In the large European money centers there exists a class of financial institutions known as "acceptance houses." They do not discount paper nor accept deposit accounts, but confine their business almost entirely to accepting drafts. A merchant whose paper is not salable on his own credit and who wishes to effect either a domestic or foreign purchase applies to such an acceptance house for accommodation. The latter, after a satisfactory investigation regarding the merchant's responsibility, will, for a commission, extend to the merchant the privilege of having drafts drawn upon them which they henceforth accept upon presentation. If the acceptance house is of highest financial standing this double name paper becomes of highest rating and may be readily sold to discount houses, among which number many important financial institutions.

This system of accepting has been a source of revenue of highly remunerative nature to the acceptance-houses, while our national banks in the past have been prohibited from accepting time drafts. The commission charged for accepting drafts depends upon the life of the acceptance, the financial responsibility of the client on whose account acceptance is given and the collateral security, if any, underlying the transaction. Practically the identical fundamental banking principles as in England have been practiced in European continental countries. Through the medium of the open discount market English banks employ their loanable funds by the purchase of bankers and prime merchants acceptances. This practice of rediscounting paper in the open market is not only customary and in constant operation, but constitutes one of the most important branches of banking throughout Europe. In fact, in London there are many discount houses that specialize in discounting paper. Our country is greatly indebted to this banking system of Europe, to which we must, in part, attribute our steady growth of international commerce.

FINANCE BILLS.—Drafts and foreign bills of exchange constitute an evidence of indebtedness represented by a negotiable instrument. Their underlying indebtedness is created through the value of merchandise, of collateral security or of actual cash funds, etc. Probably the least understood and one of the most important is the finance bill. Banks with international affiliations are through its use afforded an opportunity of placing loans at remunerative rates of interest in the European money markets, which they accomplish by the purchase of foreign bills of exchange as an investment when favorable conditions prevail, or to borrow money at favorable rates in the money markets of the world by issuing "finance bills" at sixty or ninety days' sight.

RELATIVE RISKS.—By reason of the rapid growth of our foreign commerce and the new opportunities in that connection open to member-banks through the establishment of the Federal reserve banking system and the limited experience of the American banker, broadly speaking, beyond the confines of domestic banking as heretofore practiced, it may be well to point out the relative risk in the negotiation of bills, with a mention that many factors, conditions and contingencies may increase and decrease such risk.

Bills of exchange accompanied by shipping documents covering staple, non-perishable goods, readily salable in the market where consigned, which are hypothecated by the drawers, thereby becoming the property of the banker purchasing the bill. In case of non-acceptance or non-payment of such a bill by the drawee and the inability of the drawer to reimburse the purchaser thereof upon demand for the amount originally paid him plus expenses incurred, the relative merchandise may be disposed of under forced sale, and the proceeds thereof applied on account of reimbursement demanded of the drawer, which would largely liquidate the buyer's claim upon the latter. Any small balance, still due the purchaser is likely to be recovered with little difficulty from the drawer or, if the latter has become insolvent, would remain as a creditor's claim. All foreign bills of exchange except documentary payment bills on Great Britain are discountable in foreign money markets and in consequence "time bills" can be handled and considered in the same manner as cash remittances and checked against, if so desired, by the remitter. Bankers cable transfers, drafts, short or long, and versements may be safely purchased to the extent commensurate with the financial responsibility of the drawers, and indorsers, if any. Among the bills involving a greater risk, even if purchased from drawers of highest commercial rating, may be mentioned: Firstly, clean bills drawn by merchant upon merchant. To negotiate such paper is equivalent to making an unsecured loan. Secondly, bills accompanied by documents covering shipments of perishable commodities, or by documents representing shipments of live stock, the latter necessitating expense for maintenance during transit, and a continuation of such expense in case of dishonor of the respective bill, depreciating its value to a corresponding extent.

A GOVERNING MAXIM.—As a governing maxim it may be said that the fundamental security is to be found in the liability of the drawers and the drawees or the acceptors of the bill to the purchaser thereof, irrespective of the value represented by the relative documents, and in this connection it is also essential that the purchaser acquaint himself with the financial relationship, if any, of the drawers and drawees, as it is not unusual that the same business firm may exist under different names in different cities and that consequently they are of one and the same responsibility, representing merely two different branches of identical interests. Such paper would be distinctly a single-name paper.

FOREIGN CUSTOMS.—A custom, which has been in vogue abroad and which with the future development of the discount market in this country may be practiced here also, is to convert single-name paper into a double-name bill, which is accomplished by obtaining the indorsement thereon of some bank, banker or merchant of high standing. In such a case, the indorser would receive as a commission the amount of the difference in price between the single-name and double-name paper. The foreign banking customs relating to indorsements, etc., on drafts differ somewhat from those existing in the United States. Stamped indorsements of firms or corporations are not recognized by foreign bankers unless supplemented by the written signature of an officer authorized to sign. Indorsements on all bills, payable in Great Britain, must be without prefix, such as "Mr." and "Mrs.", notwithstanding the reading of the order to the contrary. If otherwise, payment of the draft may only be had on the guaranty of the indorsement by the banker presenting it.

Contrary to custom in the United States the payees of checks, drawn on Great Britain, France, Germany, etc., are not required to establish their identity to obtain payment and such bills are practically payable to bearer. However, checks drawn upon these countries, when "crossed," indicating a specific restriction in that respect, will be paid only by the drawees, when presented by some bank or banker, which is practically equal to the identification of the payee. On checks payable in France the date of issue must be written in letters and not in figures in order to be exempt from the French banking laws relative to bill-stamp duty.

"FIRST" OR "SECOND" OF EXCHANGE.—A custom in constant use abroad and which might be adopted by our merchants nad bankers to great advantage, may be described as follows: A time draft drawn upon a domestic or foreign merchant or banker, bearing directions for the delivery of relative documents upon acceptance of the draft by the drawees, becomes, when duly honored, subject to discount at the private or open market discount rate. Instead of indorsing and sending this draft, which is made in duplicate, to his correspondent for collection and credit, the merchant, or, if the bill has been purchased by a banker for investment, the latter forwards the "first" of exchange with documents attached, but without indorsing the bill, to his correspondent with instructions to obtain acceptance, documents to be delivered against acceptance only, and to hold this "first" after obtaining acceptance, "subject to call of the indorsed 'second' of exchange." By a following mail the duplicate documents are forwarded with instructions to be delivered only provided the "first" has, in the meanwhile, been duly accepted.

The "second" of exchange, without documents attached, is retained by the drawer or the purchasing banker and upon the face of this "second" he writes: "Accepted first held by ———," mentioning the name of the correspondent to whom the "first" has been sent for obtainment of acceptance. This "second" bill of exchange is then placed in portfolio or discounted, and at any time prior to maturity forwarded to some banker

for procurement of the accepted "first," which the custodian of the latter must surrender upon presentation of the indorsed "second" to the holder thereof, and for collection and credit by reason of the presentation of the "completed" bill on date of maturity. To provide an alternative in case of failure on part of the drawee or acceptor to honor the draft, the drawer writes in the margin of the draft: "In case of need with ————," giving the name of his foreign commercial agent. If dishonored, the draft is immediately protested and referred to the latter, who will arrange for its prompt protection on behalf of the drawers, thereby avoiding incidental expenses, loss of interest, etc.

COLLECTION OF DRAFTS.—While the collection of a draft is a somewhat elementary matter, attention should be directed to an interesting feature, which must have the banker's consideration in connection with the length of time consumed in the operation of collecting. However, the factor of interest does not enter, so far as the banker is concerned, into all such transactions, and, in consequence, drafts and bills may in that respect be divided into two classes:

(1) The interest feature concerns the purchasing banker of a bill bought outright, because his money is outstanding until receipt of returns, and in order to accurately determine the amount of interest to be added to the face-value of the draft bought, or to be deducted at the time of purchase, it is necessary to ascertain the approximate time consumed in transit to and from foreign points, also taking into consideration the steamer sailings. In addition to the interest there must be considered the banker's commission, and the charges of the foreign agent for collecting and remitting returns and bill stamp, if any. If interest and charges are to be collected from the drawee, it is the custom to stamp in the bill the following or similar clause: "Payable at the rate of exchange for bankers' checks on New York, plus commission, stamps and other charges."

(2) The interest feature does not enter into the transaction so far as the banker is concerned, where the bill is taken for collection plus interest and all charges to be accounted for to the *drawer* or *owner* of the bill upon receipt of returns and is *not* paid for by the banker until the proceeds have been received from the foreign collecting agent.

INFLATION.—In view of the recurring expressions of apprehension because of possible inflation by reason of the Federal reserve system's pliancy with regard to the credit requirements of our commerce, it may be said that, while an abundance of argumentation may be presented *pro and con,* the one great protection may be found in the centralization of control vested in the Federal Reserve Board. Broadly speaking, it would seem that an over-expansion of credit could only result from a preponderantly wanton failure of banking interests to follow the ruling of the Federal Reserve Act and the supplemental regulations of the Federal Reserve Board. As a distinct check against inflation, these rulings and regulations provide that only paper "arising out of actual commercial transactions drawn for agricultural, industrial or commercial purposes," etc., and which meets with other certain requirements, is rediscountable by the Federal Reserve Banks. They further provide that the banker and his judgment remain responsible for the quality of the paper, that the officials of the purchasing banks must pass upon it and that any loss falls upon the latter even though the reserve banks submit all paper to scrutiny before rediscounting it.

CONTRACTION.—The question of contraction would seem to be one easily regulated by an unmitigated refusal to renew paper or by acquiescence to renew for only a certain percentage of the original amount of the paper and should the consensus of opinion among member banks be for a contraction of commercial loans, the Federal reserve banks are in a position to force such contraction by positive limitations or by rates of interest on rediscounts, subject, of course, to centralization of control by the Federal Reserve Board. In fact, while the Board is impowered to control the entire practice of rediscounting, its principal functions will probably remain confined to prevent over-extension of credit.

GOLD SUPPLY.—The value of the discount rate in connection with the conservation of our gold supply should be duly considered. Under normal conditions the discount rate is of greatest significance to the conservation of a gold supply, as an advance of the discount rate tends to adjust rates of foreign exchange to such a point where operations in gold by foreign nations become unprofitable. The Federal reserve banks with centralization of control by the Federal Reserve Board have the power to establish rates of discount sufficiently high to discourage extreme rediscounting and such an advance in discount rates will result in higher rates of interest for loans, which in turn would discourage foreign countries from borrowing gold in the United States with a view of lending it abroad. Further, it is interesting to mention that under normal conditions our bankers are able to obtain gold for import from their British correspondents in payment of foreign bills of exchange, previously remitted, by reason of the fact that England is distinctly on a gold monetary basis and, therefore, the purchase of every bill of exchange, payable in Great Britain is equivalent to a purchase of gold.

INSTITUTE CONVENTION PROSPECTS

Chairman James H. Daggett reports that the preliminary plans of the program committee are well laid for the convention to be held September 20, 21 and 22. In the arrangement of the sessions precedent has been adhered to, and there will be a single session on the first day, morning and afternoon sessions on the second day and a single session in the morning on the third day. The committee has in view an innovation for the evening of the second day. It was felt that one session should be provided in which the bankers of Cincinnati might participate and that this could be best accomplished through a dinner for the visiting delegates and the local men. It is proposed making this a regular session of the convention and providing as a speaker one

of the biggest men obtainable. One entire session will be devoted to the inter-chapter debate. This should prove of unusual interest this year, it being the inaugural contest for the cup presented by the Executive Council. Other sessions will be given over to the Committees on Military Affairs, Thrift and the Bankers Health Commission. The committee feels that it is its great privilege to announce that they have secured as one of the speakers Paul M. Warburg of the Federal Reserve Board. Mr. Warburg's acceptance must necessarily be made subject to contingencies which may arise, but the Institute is to be congratulated upon securing him. Other speakers will be announced later.

NATURE'S BOUNTY AFTER THE WAR

Will the close of the European war leave the nations which are fighting financially disabled, without credit, prostrate in industry and bankrupt in treasury? Perhaps, but the great lessons of history teach otherwise, says *The Wall Street Journal.* At the beginning of the Napoleonic wars, which ravaged Europe and which cost England, it is estimated, $800,000,000 irrespective of the loss of life, of property, of suspended commerce and of industry, the wealth of Great Britain was $1,200,000,000. Twenty-five years later it was $2,400,000,000. What men destroyed, nature, with the help of men, more than replaced.

A more recent example was the Franco-German War, which entailed a huge cost upon the two nations, falling most heavily, of course, upon the loser, France. Her national debt increased from 12,000,000,000 to 22,000,000,000 francs (from $2,400,000,000 to $4,500,000,000) in two years (1870-1872). Within three years, notwithstanding the loss of the two provinces ceded to Germany, the payment of a colossal indemnity and the destruction caused by the war, the foreign commerce of the republic, which had been 5,500,000,000 francs in 1870, rose to 7,500,000,000 in 1873. Germany's abounding material prosperity dated from the close of the war with France. It had no permanent injurious effect upon either.

The economies which a war enforces, the organization of industrial forces which it promotes, and national ideals which it fosters, raise the standards of a nation and make the labor of its people more productive, and out of evil cometh good.

COLLECTIONS BY RESERVE BANKS

Of the 7,500 national banks in the Federal reserve system, only 2,453 are members of the voluntary intradistrict check collection system organized by the twelve reserve banks. The extent of the operations of the collection departments is indicated by the fact that in four months the twelve banks handled over four million items, amounting to over $2,277,000,000. The Federal Reserve Bank of New York, which has a membership of 615 banks in the states of New York and New Jersey, had on December 15th a membership of 129 banks in its check collection organization. The number has not increased since.

NEW YORK DEPOSITS

The deposits of New York City's six largest banks (four national and two trust companies) aggregate close to $2,000,000,000. This is about double the aggregate deposits of these institutions a year ago. The total deposits of all bank and trust company members of the New York Clearing House amount to about $3,500,000,000.

CITIZENSHIP AND THE INSTITUTE

The spirit of good citizenship is permeating the American Institute of Banking. President Robert H. Bean is reflecting Institute sentiments in this respect in his addresses at various Chapter meetings. At the recent banquet of New York Chapter Mr. Bean said:

"We hear a great deal about patriotism and citizenship, and preparedness, and those words become empty because of their very frequent use, and are often used without thought as to their significance or meaning. But there is a phase about preparedness and about citizenship that is well worth considering, and a phase that is coming more and more upon the business men and the citizens of this country and ought to grow stronger and stronger as we come into these days which seem so full of trouble. It is not the preparedness of arms that is always necessary; it is not the preparedness of building battleships and equipping armies, but it is a preparedness of mind to so equip ourselves mentally about the affairs of our country that we shall know just the stand we are going to take if this country of ours is oppressed, if trouble comes upon it from foreign and from hostile sources—to know just what we are going to do and just what we ought to do as American citizens. We have been trained in business life today to act, and act quickly, and the mind has been trained to be alert to every circumstance of business affairs, and I think we sometimes forget that our business would amount to little if we did not have a concern about the affairs of our national life. We have left those things to politicians too many times, and business men have given free rein to those who have sought to administer affairs for their own gain. We are living in a nation made up of men from all parts of the world. It is a mixed population, and we ought to thank God for it. The day of the Pilgrim Fathers is gone, and you and I have come to realize that we have got to set an example of our citizenship and of our good government, in the way we live and act and conduct ourselves in our everyday life. The easy regard with which we take the affairs of government, the all-too-frequent remarks criticizing the man who is doing the best he can, as he sees it, to govern the tremendous affairs of the nation—it only brings us into ridicule in the mind of the man who comes from across the sea and who has been taught to put country before everything else. 'Vive la France,' 'Eng-

land Forever' mean more than the words. They mean that there has been bred through generations a national respect. We look with admiration upon the wonderful work that has been done by the German Army. Do we realize that behind all the suffering and torture through which the soldiers have gone there has been the strength and the fortitude that has come to them because they are fighting for their country? These men come across the sea and take their places beside those of us who have been here for generations and generations, and they hear our country and our flag looked upon with an entirely different concern than what they have been used to, and we wonder that we are less patriotic than they. It is a gradual letting down of the bars which bespeaks evil for any country which persists in it. Our army and navy will amount to little if we do not have sailors and soldiers of the type who say: 'America, America—Thank God for America!'

"What is the American Institute of Banking doing to carry out this program? For fifteen years we have provided, encouraged and nurtured from year to year a system of education for men in banks. That system of education has done more than teach banking; it has taught a proper regard for orders and a proper regard for superiors. It has taught men to study, not only banking, but the history of nations as affecting finance, and out of all this there has come an awakening of civic pride that found expression in a resolution which was read at the San Francisco convention last September by the president of the Institute one year back—a resolution which called for voluntary military training on the part of bank men. Now a man cannot study and devote his time to enriching his mind without also feeding himself with a better conception of things which have to do with our national life, and that is what the American Institute of Banking is doing. We are going on each year, adding to the force, we are adding to the number of the Chapters, and adding to the facilities of education, and better fitting men to uphold the system of banking, that has provided men better fitted to govern not only in banks, but in civic life and in affairs, and we believe that in the years to come that business men and bankers will recognize the fact that here is an opportunity to encourage in young men that civic and national pride that will make for a better America."

NEWSPAPER MOTIVES AND METHODS

The phenomenal interest manifested by newspapers in the thrift campaign conducted by the Savings Bank and Institute Sections of the American Bankers Association has brought forth numerous inquiries regarding the motives and methods of newspapers participating in such propaganda. The motive is explained by the fact that the promotion of thrift is a movement for general public good. A movement with some soul in it—and newspapers have souls, notwithstanding sentiments more or less prevalent to the contrary. To properly present the newspaper viewpoint the JOURNAL-BULLETIN has obtained the following statement from John C. Mellett of the New York *Evening Mail*, which has been profuse in its publicity of the thrift campaign in the Metropolis:

"Selection of proper catch phrases, emphasis on advice from prominent business men, and stress on opinions of children themselves combined to make the A. B. A. centennial thrift campaign undertaken by New York Chapter, American Institute of Banking, through the New York *Evening Mail*, a complete success.

"Properly to place the movement before the public it was decided to put the campaign in the form of an appeal for dimes to enable poor children to open accounts in the savings banks to be established in the public schools. Because each dime contributed was to be held as the tenth dime given to a child that had already saved nine, thus giving him a dollar to start savings in regular banking fashion, the slogan was made "Dimes to Dollars."

"A secondary slogan, always used in connection with the first, was '50,000 dimes for 50,000 children for 50,000 bank accounts.' The two always appeared together and succeeded in giving both the necessary 'punch' and the needful explanation to the headlines. These two phrases, indeed, proved to be nine points in the law. In response to their appeal, readers naturally read the stories under them and obtained a more complete understanding of the idea than they usually get from articles asking for contributions. The average reader skips such articles hurriedly and only the liveliest catch phrase will hold his attention.

"With attention drawn to the campaign, it was necessary to explain repeatedly the object for which the *Evening Mail* was seeking to obtain 50,000 dimes. The 50,000 pupils to be recipients were constantly kept before the reader, and the value of 50,000 savings accounts to the financial welfare of the next generation was continually emphasized. All of this was done in as short space as possible, to give the greater stress to interviews, opinions and figures.

"Through M. W. Harrison, chairman of the public affairs committee, several striking interviews were arranged, prominent men in the business and financial world contributing. Some of them related their own experiences when trying to save as children. Others gave striking epigrams on thrift.

"A. N. Clark, chairman of the Centennial Committee on School Savings Extension, contributed a clear and concise explanation of the school bank methods. Edward B. Shallow, associate school superintendent, explained the attitude of the school heads toward the encouragement of thrift in the schools. 'Thriftigrams' were printed daily, representing the thoughts of such men as Theodore Roosevelt, Henry Ford, David Starr Jordan, James J. Hill and others. All of this material was used with the idea of persuading older people to help along the youngsters.

"To arouse an interest among the children, and to make also an emotional appeal to grown-ups, figures from many schools that have banks were printed. Average savings accounts, total school accounts, proportion of children in each school patronizing the school

bank, ways in which children obtained their dimes, objects they had in saving them, the possibilities on the interest-bearing account—all these and many more figures were printed from day to day.

"Photographs of the school banks, thronged with their little depositors, were reproduced. These things reacted on parents and adults generally, arousing their sympathies and drawing forth their dimes. And when they were not influenced directly by the articles, they were reached indirectly by the children themselves.

"All the bookkeeping was done in terms of dimes. The *Evening Mail* made it plain that contributions of single dimes were welcome, the result being an almost constant stream of dimes by ones, twoes and threes.

"In addition to the dimes that were rolling in, to round out the 50,000 desired, all kinds of compliments and congratulations flooded the office. Bankers and newspaper editors, charity workers, amateur and professional, wrote to the *Evening Mail* commending the 'Dimes to Dollars' campaign as the best newspaper campaign for an abstract public good, that they had ever seen.

"In the long run, then, the campaign redounded to the credit of the *Evening Mail*, as well as to that of the Board of Education and the Chapter of the Institute."

SENATOR OWEN ON RURAL CREDITS

Senator Robert L. Owen of Oklahoma, in an address at the recent banquet of New York Chapter, referred to prospective legislation regarding rural credits.

"We are now about to pass a rural credits bill," said Senator Owen, "by which to organize the local credits of the agricultural part of the country and to organize groups of little farmers on the *Landschaft* system of Germany. Germany has taught us many things. Germany taught us the best way of writing the Federal Reserve Act because the German Government provided long since for the issuance of legal tender notes against their securities out of gold—legal tender notes against commercial paper—under a penalty in the form of interest charges somewhat higher than the commercial rate in business times. This is the germ of the Federal reserve system of the United States, which permits the issuance of Federal reserve notes against commercial paper and gold bonds. The *Landschaft* system organized groups of farmers, twenty or more, thirty, forty, fifty, sixty, a hundred, and in this bill we propose two plans, one with a limited liability, where a group of farmers come together in a little association, each one responsible for his own debt, each one securing his own loan by a mortgage on his land, and each one giving an aditional guarantee of a limited character. That is one group. Another organization is called the unlimited association, where each member of the group makes himself personally liable for every debt of every individual belonging to the group and where every debt is secured by an adequate mortgage upon real estate, being valued by a safe process and being valued with such pains that the productive power of the land itself forms the basis, and with this unlimited liability and this group there will be one set of bonds issued—bonds based upon the indebtedness and mortgages turned into the loan banks by the unlimited associations and bonds issued by the organizations of limited liability associations. The unlimited liability associations will have their bonds issued with the expectation that these bonds will bear a lower rate of interest. There is a third method provided in this bill of joint stock companies to provide institutions with safeguard by Government supervision and by provisions of the statute which will safeguard their operati... Now these bonds may be expected in a comparatively short time to come upon the market and be offered to the financiers of the United States and to the people of the United States. They will doubtless be offered to savings banks. Savings banks ought to have provision made by statute of the various states by which these securities can be utilized by the savings banks, by the insurance companies and by other groups who want a considerable share of a safe bond at a reasonable rate of interest.

"This is a matter that concerns you, as bankers in New York, and it is in itself of vast consequence to you, because you must remember that your deposits and your power, your strength throughout the world are dependent upon and spring from the productive power of the fields of the United States and upon the labor of the small man who plows the ground and sows the wheat and corn of the Republic. The values which are created by this group of laboring men amount to ten thousand millions of dollars per annum, and it is the values which flow from these laborers in the fields of America, chief of all your citizens, which have made the beauty and splendor of this metropolis. It has been well said in the past 'Burn down your cities and leave the country flourishing and the cities will spring up by magic, but destroy the fields and those who till the fields and grass will grow in the streets of your cities.' The rural credits bill will soon become an act, and I call your attention to it now and I ask of you and of the class which you represent in the financial activities of America that you give a sympathetic hand to this new system; that you give it a cordial greeting; that you recognize it as a part of the great development of our nation, and that you realize that your own increasing power as the great financial metropolis of America is dependent upon the increasing productive activity of the fields of our Republic."

MORRIS PLAN OF BANKING

A New Jersey correspondent asks information in regard to the Morris plan of banking. The purpose of the Morris plan is to afford legitimate and businesslike facilities for extending credit to small borrowers under conditions similar to those under which credit is obtained by persons desiring to obtain credit in large amounts. The plan was developed ten years ago by Arthur J. Morris, and is an adaptation of the prniciples of industrial banking as developed through a period of

sixty-five years on the continent of Europe to financial and social conditions in America. The method of making such a loan briefly is as follows: The applicant is charged 6 per cent. interest, discounted in advance, and in addition pays 2 per cent. to cover the actual cost of investigation as to his character, his earning capacity and that of the co-makers of his note. If the loan is granted he gives his promissory note payable one year from date, with two co-workers, and at the same time he subscribes for a collateral certificate of investment which he agrees to pay for at the rate of 2 per cent. each week. At the end of fifty weeks this certificate of investment is fully paid and equals the amount of his note, which becomes due two weeks later. He has the option either of cashing this certificate and paying his note with the proceeds or else of paying his note from other resources and converting his certificate into a full paid certificate bearing interest at 5 per cent. Companies operating this plan have been in existence for about six years, and at the present time there are twenty-nine companies operating in seventeen states, including New York, Massachusetts, Connecticut, Rhode Island, Indiana, Ohio, etc. Through this plan over $12,500,000 has been loaned to over 100,000 borrowers, the average of all loans being about $125. This plan has been developed and indorsed by the leading bankers and business men of the United States.

SELF-EDUCATION IN ENGLISH

Reference in the February JOURNAL-BULLETIN to the Correspondence Chapter system of self-education in English has elicited so many inquiries that a general answer seems to be required.

"Studies in English" is a book of text-literature and collateral exercises designed to teach the essentials of English expression. In connection with the exercises a confidential key is provided that enables students to examine themselves and thus avoid the employment of an instructor. In such self-examination students are required first to write the exercises in connection with the first chapter of the text-book. Such work should be revised until it is made as nearly perfect as possible. Then and not till then the exercises thus written and revised should be compared with the corrected exercises contained in the key. The value of self-examination thus conducted depends upon conscientious performance of the exercises without assistance. To consult the key before writing and revising the exercises would, of course, lessen mental effort, but would in the same degree diminish the benefits inseparable from practical work. When students have completed the exercises in connection with the first chapter of the text-book and compared such work with the corrected exercises contained in the key, subsequent sets of exercises should be written and revised and compared in the same manner until the course of study is completed. The system of self-education thus arranged combines efficiency and economy in the superlative degree.

The cost of "Studies in English," including text-book and key to exercises, is $1, payable to the Correspondence Chapter, 5 Nassau Street, New York City.

CHARLES P. BLINN

Institute members rejoice in the appointment of Charles P. Blinn as vice-president of the Philadelphia National Bank. Mr. Blinn was instrumental in the organization of Boston Chapter and is recognized as one of the substantial pillars that support the Institute as a whole. His success is largely due to the fact that he possesses in logical combination knowledge of banking principles and knowledge of banking practices. In other words, he is a twentieth century banker. His personality suggests Emerson's metaphor that "the flower of courtesy" is based upon "intellectual quality" and not solely upon good fellowship, however desirable good fellowship may be.

JAMES H. DAGGETT

James H. Daggett has succeeded Harold J. Dreher as assistant cashier and manager of the bond department of the Marshall & Ilsley Bank of Milwaukee. Mr. Daggett is an Institute graduate, an Institute associate and vice-president of the Institute. The Marshall & Ilsley evidently makes men as well as money.

REGULATIONS OF EXPORT TRADE

An inquiry was made recently as to whether there are any regulations provided by the United States Department of Commerce for the shipment of goods to foreign countries. On December 20, 1915, a summary of regulations was issued by the Department. These rules no doubt are of great help in facilitating the shipment of goods:

"Instead of January 1, 1916, the new regulations are made effective on February 1, 1916.

"No oath is required on declarations for export by vessel if total value of shipment does not exceed $100.

"It is specifically provided that the declarations may be executed by an authorized agent of the shipper.

"In cases of shipment from an interior point for export on a through bill of lading, if it is not practicable to prepare the declaration in time to accompany the goods, it may be transmitted to the seaboard with the shipping papers.

"The car manifest required for exportation by railway may be a copy of the waybill, bill of lading or other shipping paper, or of the manifest prepared for the foreign customs.

"No declaration will be required for goods shipped under any form of customs bond for exportation from or in transit through the United States, the statistics in such case being obtained from the customs papers covering the shipment.

"When the goods are sold the selling price should be stated as the value, otherwise the market value at the time of exportation in the port of the United States from which shipped."

Foreign Banking Course of Study

LESSON 1

South America and South American Trade

New Opportunities for Foreign Trade—Do We Appreciate our Opportunity?—Domestic Trade of the United States—Growth and Development of Export Trade—Example of Germany; a Constructive Policy—Federal Reserve Act and Foreign Trade—Foreign Branches of American Banks—Handicaps in Establishing Branches—Extension of Educational Work—Training Young Men.

By W. S. KIES
Vice-President National City Bank, New York

The momentous events of the last year and a half have materially broadened the horizon of the American banking world. Great opportunities and correspondingly great responsibilities are ours. The American banker, without previous training and experience, has suddenly been called upon to deal with new problems in international finance, and to find means for adequately taking care of an exceptionally large, and still increasing, trade. As I stated in a recent talk at a Forum meeting of New York Chapter of the American Institute of Banking, the exchange markets of the world have been out of gear since the beginning of the war, and our foreign operations have had to be conducted under the handicaps of abnormal conditions such as have never before been experienced in the world's history.

We may well feel proud of what has been accomplishd. The events of the last year and three-quarters in the financial history of this country are so fresh in your minds that it is unnecessary for me to review them in detail. The resourcefulness and the courage of the bankers of New York maintained the credit of the country, averted a financial and business panic, and made possible the handling of the largest export business this country has ever had.

United States in a Unique Position

The United States today is in a unique position. Alone of the great powers of the world, it is at peace. The trade and financial currents of the world seem to have reversed themselves, and this country at the present time is, temporarily at least, the financial and commercial center of the world. We are at present the greatest gold market, and the American dollar is the only currency that, no matter what happens, is reasonably certain to retain its stability and value.

For the fiscal year ending June 30, 1915, the figures show a trade balance in favor of this country of over a billion dollars. Each month of the present fiscal year has shown a huge favorable balance, and if the present rate is maintained, the trade balance in our favor for 1916 will not only be the greatest in the history of this country, but the largest ever shown by any nation. Of course, these balances cannot be maintained when Europe shall again be at peace. They are the result of the placing of enormous war orders in this country at prices that really must be considered excessive, and these prices have extended to our other exports of foodstuffs, raw materials and manufactured articles which are necessaries of life.

New Opportunities for Foreign Trade

Nations which have formerly found their sources of supplies in Europe have likewise been obliged to turn to this country, and while exportations to South America and China, due to decrease of buying power and poor transportation facilities, have fallen off, nevertheless the proportion of the total imports to these countries from the United States has very largely increased.

A study of the export and import figures of South America and of the Orient indicates clearly that the shelves must be quite bare, and that during the remainder of the war and for some time after, there will be a gradually increasing demand for manufactured articles. The following figures tell the story:

The principal countries supplying the manufactures entering into international commerce are Great Britain, France, Germany, Austria-Hungary, Belgium, Switzerland, Italy, Japan and the United States, and their exports in 1914 and 1915 have been in every case, except that of Japan and the United States, materially below normal. Great Britain, for example, exported $1,873,000,000 worth of merchandise in 1915 against $2,097,000,000 in 1914 and $2,560,000,000 in 1913, and approximately 80 per cent. of her exports are manufactures. France, in the first ten months of 1915, exported but $475,000,000 worth of merchandise of all kinds, chiefly manufactures, against $865,000,000 worth in the same months of 1914 and $1,102,000,000 worth in 1913. Switzerland exported in the full year 1914 $230,000,000 worth against $263,000,000 worth in 1913. Italy, in ten months of 1915, exported $363,000,000 worth against $389,000,000 in 1913. Germany, Austria-Hungary and Belgium are supplying nothing, although normally their chief exports are manufactures. While the exports from the United States show large gains in manufactures exported in 1915, compared with 1914 and 1913, a very large share of that increase went to Europe for use on the battlefields or in conjunction with

the war, and our gains in exports of manufactures to other parts of the world are very slight.

When it is remembered that the exports of Germany, Austria-Hungary and Belgium, now cut off from the outside world, amount normally to $3,500,000,000 a year, and that the exports of the other manufacturing countries of Europe are $1,500,000,000 below normal at the present time, it is apparent that the world's supply of manufactures available for international trade must have been greatly reduced in the one and one-half year of the war, and, as a consequence, the stocks of manufactures in those countries accustomed to drawing their supplies from Europe must be practically exhausted.

Our Ability to Hold Export Trade

As the war reaches its climax the nations involved will strain every resource and direct every effort toward the business of winning the war. This means that productive industry will be even more crippled than at present. Of necessity, therefore, the former customers of the European nations will be obliged to turn to the United States, and our export figures for the coming months may be expected to show a still larger proportion of South America's totals. The important question is, Shall we be able to hold the business of our new customers when our foreign competitors shall again be capable of supplying these markets?

We are at present enjoying such unusual prosperity in all lines, and our manufacturers are so crowded with domestic orders and with war orders from Europe that very little serious thought is being given to the making of permanent customers out of those whom the circumstances of war have compelled to temporarily trade with us.

Numerous instances have come to my attention where orders from South America have actually been refused, and many complaints have been received of substitutions and changes in prices after orders have been given. That our future trade with South America is being endangered and that our business men are not alive to the real possibilities before them is evidenced by the following editorial from *La Nacion*, one of the leading papers of the Argentine:

"As long as the abnormal conditions in Europe continue Americans will go on occupying the position which fate has forced the countries at war to abandon. This fortunate situation of North American commerce will be, however, only transitory if the Americans do not strive to strengthen their position by procedure that will enable them to confront the attack that is sure to come. North Americans find themselves in the unusual position of determining conditions arbitrarily without competition, and these abnormal circumstances should lead them to adopt commercial measures tending to give them permanent possession of the position acquired through the favoring circumstances of the European war. The situation will not be tenable unless they modify their methods. They must model them after those of European countries, offering the same advantages and facilities and adapting themselves to the demands and peculiarities of the market which they supply. They must establish for themselves a natural and healthy course of relations which will give them the position of preference or, at least, will not subject them to a precarious position of inferiority. This is the moment to introduce methods which will perpetuate markets occupied by force of circumstance, for by failure to do so these will be irretrievably lost, and the American business will be reduced to a point that is scarcely perceptible."

The commercial representative of the National City Bank at Buenos Aires, in a recent letter, said:

"The American manufacturer has not yet awakened to his opportunity, and seems to be backward in taking advantage of the situation. He does not realize that he has the chance to build a permanent market and that if he is to do so he must attempt to cultivate his future customers. He must not be unwilling to grant terms or to make concessions for future business. Cash in New York is the usual demand, and is being obtained solely on account of the fact that Argentina today is unable to buy elsewhere. He has raised his prices, and the Argentine merchant complains bitterly that the prices which he is compelled to pay are exorbitant and far above the scale determined by supply and demand. The Argentine's present experience with American business and American methods is not putting him in a favorable frame of mind toward the continuation of business with our country. From present indications, it would seem that at the conclusion of the war the Argentine will be more prejudiced against American goods than he was before and that the golden opportunity will be irretrievably lost."

Our commercial representative at Rio de Janeiro sounds a similar warning:

"The increase of imports from the United States can hardly be said to be to the credit of our manufacturers. It is said all over the city that the American manufacturers are not supplying the goods which are wanted by the trades and not the kinds which were previously obtained in Germany. They say quite openly that they are only waiting for the war to stop to place large orders with their former German friends, and there are several firms (Brazilian firms) who have told me that German manufacturers are now making goods for them to be delivered after the war is over. It may be that these manufacturers are accumulating large stocks now which will be flooded into these markets at the earliest possible date in an effort to restore German exchange to the normal level, and if that is the case it does not seem possible that the American manufacturer will be able to hold the business he now is doing, unless he shows a keener appreciation of the situation."

Do We Appreciate Our Opportunity

Is it possible that the American business man does not appreciate the opportunity before him? Has he not learned by experience the value of having a permanent export market for his export products? There is no room for argument upon the proposition that a perma-

nent export trade is vital to the future welfare of this country. When a nation reaches the point where the capacity of its manufacturing establishments is more than sufficient to fulfill the needs of its population, the prosperity of these manufacturing establishments depends upon the finding of permanent markets for surplus products. Unless such markets are found and held, these manufacturing establishments cannot be run profitably and the labor dependent upon them cannot be employed steadily and at good wages.

A plant to be run economically must be run at or near the capacity for which it is designed. The greater the production, the less the unit cost of production and the greater the ability to compete, not alone in foreign, but in domestic markets as well. The development of permanent markets for surplus products, therefore, makes for increased production, steadier employment and greater profits for both labor and capital.

I wonder if you appreciate how completely the prosperity of this country is dependent upon the prosperity of its manufacturing industries? Few of you perhaps realize that a great change has taken place in this country in the last twenty-five years. Formerly the great proportion of our exports consisted of food products.

Domestic Trade of United States

Within the last twenty-five years billions of dollars have been invested in factories and workshops, and the percentage of manufactured articles among our exports has been increased yearly, while our exports of food products, in normal years, have been decreasing. For the fiscal year 1914, which ended just before the beginning of the war, and would, therefore, be considered as normal, of the total of our exports 18 per cent. was of foodstuffs, as against 44 per cent. in 1894, whereas manufactured products formed 47 per cent. of our exports, as against 23 per cent. in 1894. The value of the products of our factories increased 81 per cent. from 1900 to 1910, and the number of persons employed in the United States in manufacturing and mechanical pursuits increased 90 per cent. in the period 1890 to 1910, while the number of persons engaged in agriculture increased but 37 per cent. in the same period. These increases indicate to what extent our prosperity is dependent upon our manufacturing interests; the necessity of obtaining new outlets for our increasing products, and the importance of maintaining our hold upon existing markets. It is only in comparatively recent years that we have turned our attention seriously to foreign trade. Our domestic market is the largest market in the world, and our manufacturers, with remarkable skill and energy, have intensively developed it, with splendid results. As a general rule, foreign markets have been given but little attention, and too often have been considered as a dumping ground in times of over-production, to be forgotten when the demands of the domestic market were sufficient to absorb the production. In spite of our unscientific methods in the development of foreign markets, the growth of our foreign trade presents a cheering picture.

Growth and Development of Export Trade

Exports of domestic merchandise from the United States to foreign countries have grown from $376,616,000 in 1870 to $2,428,506,000 in 1913. The increase in the exportation of manufactured articles alone grew from $485,021,000 in 1900 to $1,020,417,000 in 1912, a gain of 110 per cent. Germany, during the same period, increased her exports of manufactured articles from $745,000,000 to $1,430,142,000, or but 102 per cent. increase. From 1870 to 1913 the population of Germany increased from 41,000,000 to 67,500,000, a gain of 64.6 per cent., while the population of the United States increased, during the same period, from 38,558,000 to 97,028,000, or 151 per cent.

Considering the size of our country, its almost inexhaustible resources and its growth in wealth and population, the growth of our foreign commerce, while encouraging, is not impressive. This country has greater productive resources than any other nation in the world. We have, with few exceptions, the raw materials to supply our manufacturing industries. Nature has given us innumerable water powers and an almost inexhaustible supply of coal. We have iron, stone, lumber and other construction materials in abundance with which to build factories and workshops. Add to our natural resources a plentiful supply of intelligent labor, and we have all the essential elements which should make us the greatest commercial nation of all times.

Our failure to develop our foreign commerce more rapidly in the past is due to certain fundamental difficulties which have hampered its growth. Our progress in the future will depend upon our ability to overcome these same difficulties. One fact stands out quite clearly, and that is that as a nation we have not heretofore seemed to appreciate the great importance of a large foreign commerce to the permanent prosperity of our country.

Example of Germany

We have had no well-defined export policy. To illustrate what I mean by export policy, let us consider for a moment the example of Germany.

Twenty-five years ago Germany set for herself the task of building up her foreign trade. Her economists saw clearly that national wealth and prosperity were the sure rewards of a successful foreign commerce; that selling to other nations in return for their raw materials the products of factory and workshop meant a permanent income to Germany from the labor and skill of her citizens, and that the value added by the processes of manufacture gave to her either a call upon the gold supply of the world or the option of a credit which could be used in the purchase of foodstuffs or other raw materials. Germany went about the matter in a thoroughly scientific manner. An intensive investigation of the possibilities of the various markets of the world was begun. The characteristics, customs, manners and wants of her future customers were carefully studied in an endeavor

to ascertain what goods were desired and those for which a demand could be created. There was to be no attempt to force upon people what they did not want.

Co-operative societies were organized for the advancement of export trade. Chambers of commerce, which were active bodies and not paper organizations, collected data and information for the benefit of all interested.

A Constructive Policy

The government, keenly alive to the fact that commercial supremacy means national power and greatness, shaped its export policies along broad and constructive lines. Export trade needed encouragement; consequently drawbacks and export bounties were provided. The merchant marine needed to be built up; subsidies were voted. Manufacturing towns distant from the ports were at a disadvantage in the matter of railroad rates; the rates were forthwith adjusted so as to encourage manufacturing for export. Foreign trade had to be financed. Branch banks, under liberal banking laws, were established and became active agencies for promoting trade in foreign countries. In order to safeguard the domestic market, a protective tariff was instituted. To assist the German manufacturer to compete with others, efficiency methods became the subject of careful study, and when it was demonstrated that combination meant lessened waste, greater concentration of effort, and more effective production, combination was encouraged. Price agreements, to avoid wasteful competition at home and abroad, were recognized as necessary and made legal. If, in order to meet the competition of other nations in foreign markets, it was necessary to sell below the price prevailing in the domestic market, a public opinion was created which applauded such a course as entirely patriotic, in that the greater the sale of German products abroad the nearer would German manufacturing establishments approach capacity production, and capacity production was early realized by German efficiency experts as the best means of reducing economic waste in production and lowering the unit cost of the products.

Germany saw that successful cultivation of foreign markets must be based upon a thorough knowledge of foreign countries. She planned an educational system for her youth whereby they were taught commercial geography, the business languages, and the financial customs and manners of different peoples, and her young men were encouraged to go into different parts of the world as commercial missionaries to convert the consumer into a user of German goods.

As a result of this intelligent, aggressive national policy, Germany's commercial progress has been such as to compel the admiration and respect of the world. How lamentable it is that those who guide the destinies of this great empire did not realize that in the peaceful development of her industries, the growth of her commerce and the magnificent organization of her forces of production lay a source of power and influence in the world's affairs of far greater potentiality than could result from any war, no matter how successfully waged.

Contrast with United States

Contrast the definite, clean-cut export policy of Germany and that of the United States. We have no merchant marine worthy of name, but instead of passing laws to encourage its growth, out legislators increase the burdens of operation. No effort is made to place the great manufacturing cities in the interior of the United States on an equal competitive basis with the manufacturing centers of the seaboard. Until recently there were no provisions in our national banking laws encouraging, or, as a matter of fact, even permitting the financing of export business, and no provision whatever for the establishment of branches of American banks abroad. There has been no conscious attempt until recently to educate the American public to the value of export business to this nation.

Foreign markets are created by foreign investments. England and Germany have together invested nearly $5,000,000,000 in South America, and many of these loans have had in them the provision that the proceeds, where needed for materials, were to be expended in the country making the loan. On the other hand, there has been no substantial interest in this country in regard to foreign loans. We have heretofore needed so much money for the development of our own resources that we ourselves have been obliged to borrow in Europe for this purpose. The investor in this country has generally avoided foreign loans, first, because of his want of knowledge of other countries, and, second, because he has felt a lack of confidence owing to the fact that we have had no definite governmental policy in encouragement of such loans. There is now offered an opportunity for this country to change its position from a debtor into a creditor nation. We have today the greatest bank reserves and the largest gold holdings in our history. By wisely loaning to Europe, to South America and to the Orient, we shall create a new relationship of immeasurable value in promoting future profitable commercial intercourse. The American investor, however, must be educated to an understanding of the necessity and desirability of investing money in foreign countries whose markets we seek to cultivate.

Federal Reserve Act and Foreign Trade

The passage of the Federal Reserve Act made it possible for national banks of this country to establish branches in foreign countries, and to place back of the branches the resources and the prestige of the parent bank. The Federal Reserve Act likewise contained a provision of greatest importance in the development of the export business of this country. National banks under this provision are permitted to accept bills of exchange drawn against actual shipments of merchandise in foreign commerce up to an amount equal to their capital stock and surplus. Prior to the passage of the Federal Reserve Act the acceptance was a commercial instrument little known in this country. Our financing had been done exclusively by notes. England's great commercial supremacy is in no small degree due to the development of the use of the acceptance. It is the

most easily available method of extending credit for the purpose of financing exports and imports.

The general use of the acceptance may be said to be responsible for the building up of the active London discount market. I need not explain to you the importance of this financial expedient in the building up of export trade. You all know that there can be no higher trade commercial paper than the acceptance of a national bank of standing of a bill drawn on it by responsible parties, and further secured by the goods themselves. The importer in this country has the means of obtaining money for financing his imports at the lowest possible rate, for an accepted bill of short maturity will always find a ready market at the best rate. In time the acceptance will undoubtedly be used by branches of national banks as an aid to importers in foreign countries desiring to purchase in the United States, and in this way contribute to the solution of the vexing problem of credits to foreign customers.

Foreign Branches of American Banks

The first branch of an American bank to be established in a foreign country was opened on November 10, 1914, in Buenos Aires, Argentina, by the National City Bank. Since that time branches have been opened at Rio de Janeiro, Santos and Sao Paulo, in Brazil; Montevideo, in Uruguay, and Havana, Cuba. The National City Bank, in establishing these branches, realizes fully the responsibilities it assumes, and the task before it. The bank is doing pioneer work, and will have to proceed slowly and carefully, exactly as must the manufacturer who is first seeking to introduce his goods into a foreign market.

In entering the foreign field, the City Bank adopted a broad and vigorous policy, with a view to obtaining results as rapidly as possible. At the outset, it determined to spend money freely in securing information abroad and in stimulating an interest in the foreign field. A credit department has been organized at each of the branches in order that the American manufacturers may be supplied reliable information concerning the business firms of foreign countries. This, aside from the development of an active exchange market for the American dollar, is perhaps the most important service to be rendered by the branches. A commercial department has been organized at each of the branches, in charge of a trained trade expert, for the purpose of determining after a thorough and comprehensive study the opportunities in foreign countries for the products of our factories and workshops. They will also supervise the making of technical investigations into the possibilities of a market for a particular product so that manufacturers in this country will be able to ascertain the price at which their goods can be sold in a foreign market, the cost of delivery to the market, the supply on hand, and the manner in which the particular articles must be packed and prepared for the market. Samples of their foreign competitors' goods will even be obtained for them upon request.

The Foreign Trade Department of the National City Bank has not confined its efforts to the development of trade in the countries where branches have been established. It has sent representatives to other countries of South America, to Russia and to several European countries for the purpose of obtaining information as to conditions in those countries. There has been established in the Foreign Trade Department a Russian Division devoted to the dissemination of information concerning trade opportunities in Russia. This division is in charge of a gentleman who, prior to the outbreak of the war, was associated in a responsible position with one of the most important distributing houses in Russia, with branches in all the principal cities of the empire. His acquaintance and knowledge of trade conditions, as well as credits, has been placed without charge at the service of all American firms wishing information or advice concerning the Russian field. In this way the National City Bank has been trying to supply the lack of definite knowledge necessary as a basis for the conduct of foreign commerce.

Handicaps in Establishing Branches

One of the great handicaps in the establishing of foreign branches is the difficulty in obtaining trained men who are capable of assuming the positions of responsibility. This difficulty, as I pointed out before, was met in Germany by a system of training which fitted her youth for foreign service. So far little has been done in the United States in this direction, so in order to overcome this obstacle the City Bank has inaugurated its own educational system. From a list of sixty young college men, twenty have been selected, who are receiving one year's special training in practical banking to fit them for service in the various branch banks. Only American-born men were selected for this picked advance guard of American commerce, the men chosen coming from universities all over the United States.

These young men are being given a great deal more than a mere technical knowledge of banking. The program is a strenuous one. The members of the one-year class, as they are called, assemble in the classroom every morning at eight o'clock for a lecture of an hour in banking practice by the departmental heads of the City Bank. From nine until twelve they are required to try to use what they have heard in the lectures in the regular positions in the bank. From twelve to one they meet in the bank's lunch room and, under the supervision of competent instructors, practise foreign languages, especially Spanish and Portuguese. From one to five they are at their regular desks again, and from five to five-thirty they receive another set of lectures. In order to make their training as comprehensive as possible, it has been found necessary to institute courses on commercial geography, foreign exchange, political economy and commercial credits as well as the lectures on practical banking.

Study Course in Savings Banking

LESSON 5

The Savings Bank as an Accumulator of Capital

Investments—Benefit to the Community—Capital Accumulated in Bank Becomes Potent—The Savings Habit—Conclusion.

By W. H. KNIFFIN, Jr.
Vice-President, First National Bank, Jamaica, N. Y.

At its inception the savings bank was an institution devised to benefit the individual as an individual and not as a member of society. The benefits were intended to be direct and not reflective. Every plan prior to Henry Duncan's scheme in 1810 savored of charity and was designed to induce regular deposits of money, not for the benefits that collective funds bestow, but because of the immediate results that accrue to the individual who makes the contributions. In some instances the depositor was rewarded if he made steady deposits, and often penalized in some form if he failed; but the reward was the reward of charity and not the reward of co-operative investment. All the initial attempts took on the form of sick and aid societies, or the "Christmas Club" (to use a modern term), the aim being to help the individual prepare for the time of need, without regard to the economic power which funds so accumulated possess.

Investments

The funds received from these philanthropic efforts naturally brought about the investment problem, for it soon became manifest that the savings bank should be operated by the earning power of money, and as a matter of fairness and as an inducement to save, the money should be profitably and safely employed. At this point the benefits of the savings bank began to reflect upon the nation, the community and the home, as well as upon the individual. It, therefore, became necessary to invest these accumulations. Government securities being then, as now, the accredited form of investment where the element of risk is to be avoided, such securities were the first to find lodgment in the savings bank stronghold, and the nation as a nation was the first to feel the power of the savings bank as an assembler of capital. As the savings deposits have increased year by year throughout the century, attaining larger and larger proportions, the problem of safe and sure return has become of larger magnitude. Little by little, and not without opposition on the part of those who worship tradition, and who would seek safety at whatever cost in income, the field has been widened, so that it now covers the whole realm of investment, from Government obligations to industrial securities, with the mortgage loan everywhere in favor. And so, from the collective body which constitutes the nation, down through the states, counties, cities, towns, railroads and other bonded corporations, the stimulating influence of money wealth, first assembled, then used, has gone.

Benefit to the Community

It is true that in the early days of savings banking in this country gross frauds were perpetrated through investment mediums, the trustees sanctioning the purchase of securities which were highly speculative and dangerous, but through it all has come the present-day high standard, so that as the legislators have wrestled with the problem of establishing high standards and safe ratios, the nature of savings bank investments has become more or less standardized, differing slightly in the various states, as local sentiment has played its part in shaping legislation, but not differing in the benefits bestowed. We are very apt to look at the savings bank from the original viewpoint and see in it nothing but a "place to put money and get interest," overlooking the fact that the depositor benefits no more directly than does the community indirectly. The savings bank has well been likened to a reservoir into which flow the little streams, forming a mass with power because assembled in one place and *moving in a single direction.*

Capital Accumulated in Bank Becomes Potent

It is axiomatic that a cable is stronger than any wire of which it is composed; that a wall is stronger than any brick in its structure; that a "pudding stone" has more effect when hurled at a glass window than the pebbles of which it is made—the reason being that they *work as a unit.* Likewise with money. A thousand dollars in the possession of one individual has more power than a thousand single dollars scattered broadcast. They pull together. It is the case of an army trained to move as one man in contrast to a body of stragglers. Following this thought we must conclude that the savings bank renders its greatest service to the individual, not by making his money earn a little interest for him, but by combining his money for him into a mass and uniting his money with that of other savers and making it move *en masse.* It is first gathered, then dispensed, then dispersed. A simple illustration will suffice to show the point: Let us suppose 1,000 men deposit $1 each in a bank. It thereby becomes a *single thousand,* capable of effective work. It is loaned to a builder on mortgage loan. He disburses it in a dozen different directions, some to labor, some to material men, some for taxes, some for himself. It is spent in a hundred ways and again becomes a thousand *scattered*

dollars, to be again assembled by the savings bank idea for another operation. It matters not whether the bank loans on mortgage or buys a bond of whatever character it may elect, the fund is again disseminated through the medium of the pay envelope. The bank thus acts as a vast percolator, gathering and diffusing, gathering and diffusing without end. We cannot appreciate the savings bank until we grasp this point, and when it grips us we will the more highly value the work this institution does.

In a recent thrift meeting a speaker belittled the fact that in the collection of the week previous there were 500 pennies; but when he was reminded by a subsequent speaker that the 500 pennies became as useful as a $5 gold piece, through the medium of the collection plate, he saw a new light. They worked together.

The Savings Bank Dollar

It may be a new idea to some to be reminded that the savings bank dollar can never become more than a dollar, while the bank of discount dollar may become four. The savings bank dollar cannot multiply itself—it can only do sums in addition. The savings bank takes 100 cents and welds them into a dollar, while the bank of discount dollar, gathered, it may be, by the savings bank process, may become *four credit dollars*, as useful in the business world as money dollars, and cheaper. When the savings bank gets a dollar it can lend about ninety-five cents; the bank of discount can lend 400 cents. Let us prove the latter proposition. Suppose a bank has exactly its lawful reserve, let us say, 25 per cent. It can make no loans. A depositor comes in with $100 in lawful money or gold. The banker may now put the money in his reserve and increase his deposits by increasing his loans and discounts by $400 and still be in the same position as before. *He has used his dollar as the basis of credit.* The savings bank dollar can never change its nature. The bank of discount dollar is a capitalistic dollar—a stately dollar; it must be a dollar before it can do its work as a foundation for credit. The savings bank dollar is a humble dollar, but becomes a capitalistic dollar and therefore ready for its work in the field of credit. The savings bank *creates* dollars, while the bank of discount *uses* them.

The Saving Habit

The New York *World* is printing a series of letters from its readers in which they tell how they acquired the saving habit. These letters substantiate the well-known fact that the savings bank idea is the foundation of every successful career. Through all run the same strain—that saving a little systematically and putting it in a bank is the bedrock of every success. The lives of all great men tell the same story—they became rich, not by business strategy or skill or power, but they got their dollars working together. The same principle applies whether the mass be large or small, it moves together, and no amount of money can become effective until it does move as a unit. It is a shotgun scattering many shot against the rifle which sends one bullet home. Shotguns for little game; rifles for big. We have been building our banks too much on the proposition that money works; that a dollar invested at 4 per cent. for a year will be worth $1.04 at the end of that time, forgetting the other proposition, likewise mathematically correct, *that one and one are two.* We have been educating the depositor to look for the interest return—the red figures on his book, and have failed to teach him to watch the black. The weekly credit, whatever the amount, *is not thrift, but one of its many manifestations.* The red ink credit at the end of the term is *the reward of thrift—a price paid for getting a habit.* What your clientele need to be told is not the rate of interest you pay, but the *service you render;* not the fact that money grows, as true as that is, *but that money pyramids if the builder keeps at it;* that it cumulates and gains power both for him and his town as it cumulates. The public will respond to this appeal. Witness a single instance: A suburban bank in Greater New York pays 3 per cent. from the first of each month in its savings department. For the past year it has not put out a single advertisement of an interest rate. It has gained over $100,000 in that time. A near-by savings bank paying 4 per cent. quarterly has failed to hold the money it received by nearly the same amount. The latter thinks it unnecessary to do educational advertising, or tell about its service, and the above is the result. Be assured of this: People will respond to the proposition that "every little bit added to what you have makes just a little bit more." They see the point, for most men can count, while few can figure interest.

Conclusion

We too often forget the service of the savings bank as an accumulator of capital, but every home in the land built from a mortgage loan, every public building, every park, every paved street, every schoolhouse, and every mile of railroad that came out of a bond issue bears testimony to the savings bank as the greatest, the most effective and the safest accumulator of capital the world has ever known. First the brooklet, then the reservoir in the mountains, then the main line, then the laterals, then the taps. Understand a water system and you understand the savings bank as a conservator of money.

INSTITUTE CHAPTERGRAMS

ALBANY
By J. Raymond Roos

The national thrift movement has met with a warm reception in Albany. Under the able and enthusiastic leadership of Jacob H. Herzog, vice-president of the National Commercial Bank, several organizations have heard thrift lectures during the month of February.

Savings of children of Public School 15, Herkimer and Franklin Streets, amounting to $212.57, were collected in nine days' operation of the uplift thrift system in the school. There are approximately 525 pupils in the school, who have been given opportunity to deposit savings. The majority are children of foreigners.

Anthony Anglin, twelve years old, an Italian, saved the largest amount, $20. "I work," said Tony, in answer to a question as to how he earned it. "Mornings I peddle papers, the *Knickerbocker Press,* from four o'clock 'til eight. After school I work in a barber shop 'til eight o'clock. No, I don't cut hair, I only shave. I work there Saturdays. I get $2 a week from papers and $1 for shaving. I take $2 to my mother and I usually bring $1 to school—sometimes only seventy-five cents. Yes, I got $20." Benjamin Noisette, thirteen, a negro, has $8.30 in the bank. "I earn ten cents runnin' errands," he said. "Sometimes I get fifteen cents. Maybe I'll go to college with it, suh," he added. Sixty-nine dollar bonds have been issued to pupils in classes below the sixth grade in the last nine days.

Godfrey J. Smith, assistant chief clerk of the National Commercial Bank and president of the Albany Chapter, took a trip to Pittsfield, Mass., Wednesday evening, February 16, and spoke on "The Transit Department" before the members of the Pittsfield Chapter.

The particular bright star in the heavens for the Albany Chapter is the fourth annual banquet to be held Thursday evening, March 23, at the Hampton Hotel when First Lieut. Herbert H. Acheson, U. S. Army, will speak on "Preparedness" and C. Edward Jones, superintendent of schools, and Thomas J. McMahon will deliver an address. Since this evening was announced the members have been congratulating themselves upon the good fortune of securing such eminent speakers, and now the committee in charge, Halsey W. Snow, Jr., chairman, Gustave A. Wickert, Jr., and Harley J. Hotaling, are sparing no labor in their efforts to make this affair an epoch maker in the Chapter's history.

ATLANTA
By T. I. Miller

We are proud of the interest in our work this year. The class in commercial law has finished the first half of the year's work and will at once take up the volume on negotiable instruments. "Business Efficiency" was the subject of an interesting talk by Cator Woolford, president of the Retail Credit Association of Atlanta. Mr. Woolford first defined business efficiency, and explained just how it worked in his line of business, and then applied it to all lines of business, showing the many benefits to be derived from efficient business methods. On Tuesday night, February 8, J. K. Orr, member of the Thrift Commission for the state of Georgia, spoke to the Atlanta Chapter along general business methods and the thrift campaign. The first week of April will be known as Thrift Week in Atlanta. Atlanta Chapter proposes to run the "Reward of Thrift" for a week at one of the most popular movie houses. On Saturday it will be shown free of charge to the school children of the city and on Saturday night it will be shown at one of the labor rallies. Talks will be made by members of the Atlanta Chapter before the different industrial organizations of the city.

AUSTIN
By Edward Robinson

At a meeting of Austin, Tex., bankers January 26 a Chapter of the Institute was organized. Stewart D. Beckley of the City National Bank of Dallas and a member of the executive committee of the national organization was introduced and by request explained in detail the workings of the organization, as well as the benefits derived by members. Answered numerous questions asked by those present and assisted very materially in completing the permanent organization that was later perfected. Mr. Gossett of the State Banking Department gave a very interesting talk along the lines of organization and laid special stress on the necessity of all members keeping up a personal interest in the Chapter. W. H. Folts of the Austin National Bank gave a very hearty indorsement and assured us that this was the attitude of the senior bank men. Mr. Hetherwick of the *Texas Bankers Journal* made an enthusiastic talk and requested that a list of all members of this Chapter be sent him and he would see that a copy of the *Journal* would be mailed to each regularly, free of charge. C. M. Bartholomew, as a junior bank officer, also heartily indorsed the organization.

On motion of Mr. Campbell a permanent organization was effected with the following officers for the ensuing year: James Rogan, president; L. D. Williams, vice-president; Edw. Robinson, Jr., secretary; Leo Kuhn, treasurer. Messrs. Gossett and Turner were elected to serve as an executive committee, together with the officers. Mr. Folts tendered the use of the directors room of the Austin National Bank as a meeting place for the Chapter, which was accepted with thanks.

At a meeting of Austin Chapter February 4, President Rogan announced the appointment of committees as follows: Education and program committee: S. B. Roberdeau, E. P. Cravens and E. J. Palm; constitution and by-laws committee: P. B. Wells, chairman, O. D. Boone and Tom Miller; membership committee: E. G. Hutchings, chairman, A. F. Lockhart, Wilbur Johnson, Earl Sims, L. L. McKay; publicity committee: T. J. Rowzee, chairman, Simon Frienlander and Grover Pickrell; entertainment committee: C. C. Campbell, chairman, Alfred Ellison, O. W. H. Cook, W. Jones and V. E. Lauder; arrangement committee: T. J. Bowman, chairman, J. M. Slaughter, Gerold Boerner and M. F. Byrne; public affairs committee: L. J. Schneider, chairman, Sam Carter, S. J. Von Konneritz, Carl Widen and C. M. Bartholomew. Prof. C. S. Potts of the State University was introduced by the president and made an interesting talk, indorsing this movement and agreed to be our instructor. We all feel sure that under his able guidance the class will progress steadily.

Professor Potts offered the Law Building of the University of Texas for a meeting place, and, on motion of Mr. Bremond, it was accepted with thanks.

BALTIMORE
By J. Adreon Keller

Baltimore Chapter's open meeting, February 15, was very well attended. It was pleasing to note the great number of past officers of the Chapter in the audience. This attendance of the old pillars of the Chapter was no doubt in a great measure due to the presence of John E. Rovensky, vice-president of the National Bank of Commerce, New York City, the speaker of the evening.

Mr. Rovensky paid high tribute to the Institute and gave some interesting data bearing on the results of Institute work among bank men. This he followed by a logical and well-balanced discourse on his subject, "The American Banks' Part in the Development of Our Foreign Trade."

At the conclusion of his talk, Mr. Rovensky consented to answer any questions that might be asked. This privilege

was taken advantage of by many, whose questions were answered in a very clear and understandable way. This manner of imparting information to an audience by a speaker on a financial subject was shown to possess great value.

Baltimore Chapter's other activities are showing good results. In the commercial law class we have completed the first half of the course and are about to enter on "Negotiable Instruments," the remaining subject treated in the text-books. The classes at present are as well, if not better, attended than at the beginning of the course.

Baltimore Chapter's annual banquet will take place at the Hotel Belvedere, March 11, and from committee reports so far it is to be expected that this banquet will outclass any of our previous ones, not only in the prominence of the speakers who will be heard on that evening, but also in the figures of the attendance. According to the estimates that can be made from the acceptances so far received, the final number will be in excess of the capacity of the hall.

BOSTON

By Herbert E. Stone

Boston Chapter's banner event was the sixth annual banquet held at the new Boston City Club on Friday evening, February 25. Two hundred and eighty-five Institute men enjoyed one of the City Club's famous dinners. Several of our New York friends who entered the Subway shortly after leaving their offices missed their train on account of an accident and we were therefore deprived of the privilege of entertaining them. We were fortunate, however, in having with us such notables as Getz of Baltimore, Smith of Albany, Chaffee, Hayes and Morris of Philadelphia, Seaborg and Robinson of New York, and Elder and Marshall of Providence. Harold Dreher and Milton W. Harrison had troubles on the New Haven and arrived in time to hear the orchestra play "The Star Spangled Banner."

Prof. Albert Bushnell Hart of Harvard University, an authority on international law, gave a very interesting talk on "Neutrality," which was followed by the Rev. Thomas Van Ness, who spoke of his experiences in the war zone at the opening of the war. These two talks were extremely entertaining as well as instructive, and were greatly enjoyed by all who had the privilege of hearing them.

The Institute was represented by its president and our former president, Robert H. Bean, who cited many instances of the record of members of the Institute who have attained to positions of responsibility, which made a very gratifying showing. Robert B. Locke presided and had the ear-marks of a trained toastmaster. Walter L. Taugas, assisted by Chapter members, conducted the famous Alouette Song, and it took several minutes to calm the boys after this amusing song. Music was furnished by William F. Smith as soloist and conductor of the Arlington Orchestra, and the Chapter Quartette made us all feel proud.

The publicity committee, under the leadership of George S. F. Bartlett, presented a printed menu in which appeared several cartoons taken from newspapers, illustrating former interesting Chapter events. The affair was one of great enjoyment and we hope the seventh annual will prove as enjoyable.

Another interesting event of the month was the election of one of our members, Charles P. Blinn, Jr., to the office of vice-president of the Philadelphia National Bank. This appointment has been most gratifying to his many friends and he takes with him the best wishes of Boston financialdom in entering upon his new duties. His retirement from the National Union Bank has resulted in the promotion to cashiership and assistant cashiership, respectively, of Arthur E. Fitch and John W. Marno, and the Chapter takes great delight in recording these successes. Another promotion has been that of Albert W. Emmerton of the Old Colony Trust Company to the position of assistant to the treasurer of the Arlington Mills of Lawrence, Mass., and Mr. Emmerton has already left Boston to take up his new duties in this capacity. With him also go the best wishes of all his Boston friends.

Practical talks to junior bank men have been well attended, and the committee on public affairs is making a canvass of schools throughout the state of Massachusetts in the hope that they may extend the interest in the school savings system in those cities where the system does not already exist.

It is gratifying to announce that twenty-seven bank men are enlisted in the Military Training School of the First Corps Cadets, and in addition to enjoying the Friday night drills, have the privilege of enduring the anti-typhoid prophylaxis cure, which we know will make them better bankers. They are taking up rifle practice at twenty-five yards and hope soon to issue a challenge to the Institute at large.

BUFFALO

By Lawrence H. Geser

The informal dinner held by our Chapter at the Ellicott Club on the evening of February 15, was a very pleasant affair. Nearly 100 Chapter men were in attendance. We were especially honored on this occasion by the presence of Prof F. W. Roman, graduate of the University of Berlin, and a member of Syracuse University faculty, who delivered a stirring address on "Industrial and Educational Preparedness as an Asset in Resisting Foreign Invasion." Professor Roman began his discourse by saying, "Preparedness is in the air and everybody seems to think that something ought to be done. Let us look at the situation and see what we really mean by preparedness. It will be too bad if this country of ours rushes into preparedness because it is afraid of either Germany or England. It looks as though we are in great danger of imitating the worst of the Germany policy without getting the best and at the same time being under the belief that we are really getting preparedness. Now, Germany's strength, in my judgment, at the present time rests partly upon her army, but in a larger degree upon the industrial preparedness of the country and upon the educational system and the economical system that that country has worked out in years past. Germany, with an area only one-fourteenth the size of the United States, with a population of 67,000,000 of people, two-thirds of the population of the United States, in such a small area, whose soil is not equal to that of the United States, and whose resources are not equal, has been able to hold the world at bay for nearly two years. Germany has made this possible through her industrial and political organization which is back of the army. I am making this explanation to show you that if we adopt only the military end alone, we will have to do something more than simply have an army and navy if we expect to prepare. For every 1,000,000 of soldiers, you must have 2,500,000 working at home to keep them in the field."

The speaker then explained to us in a very interesting manner how Germany is governed, and called our attention to the fact that Germany's marvelous efficiency was attained through the centralization of authority which now rests in Kaiser Wilhelm. He said, "Germany has a machine of government that works quickly and can do many things in secret." Professor Roman spent three years studying at the University of Berlin and while there was given a special opportunity to study the German school system which he lauded very highly. He gave us a very good description of the German system and pointed out the many ways in which their system is superior to ours. The following are a few excerpts from this part of his discourse: "In Germany, the average attendance between the ages of six and fourteen for all the boys and girls is 213 days; in the United States in cities of 8,000 and above the average attendance is 144 days, in towns of 4,000 it is about ninety days. Sixty-three

white adults in the United States are illiterate out of every 1,000 and 49 per cent. of all the negro adults are illiterate; in Germany it is two per 1,000. After the boys and girls reach the age of fourteen, they must attend vocational schools from three to six years more. In order to be a school teacher, a boy at the age of fourteen must have a very high school record, he must be able to pass a very fine physical examination, much better than for the army, and he must be recommended by his teacher as being a boy who by his temperament and disposition would seem to be one who will be a natural leader of men. The Government gives such a boy from five to six years of special training. The people have nothing to say about the schools, as that would waste too much valuable time and the Government has to get efficiency through the school organization. In this country we take a great interest in the bright boys and girls, but we never know what becomes of the delinquents. Germany says that the state is too poor to neglect the feeble-minded and those who are having difficulty in getting along in school, and if we do not make special arrangements for these boys and girls, the result will be that they will be defectives and criminals and will be a big economic loss."

Coming back to the plan of preparedness now being advocated in this country, the speaker said, "For the past ten years the people of the United States have been spending more than $1,000,000 a day for the army and navy, and the preparedness men tell us that our defense would last only fifteen minutes in case of war. If we increase the appropriation for the army and navy to $700,000,000, as one senator proposes, I have figured that our defense would last only thirty-four minutes at that rate. Of course, we could defend ourselves for a longer period than fifteen minutes, and the advocates of military preparedness are lying. The United States had better spend the money that is now appropriated for the army and navy well, than to increase the amount. Of the $300,000,000 spent annually on the army and navy, about $80,000,000 is used for the upkeep of obsolete forts. Although the Indians have passed away, many of the old forts built as a protection against the Indians, are still kept up through the influence of congressmen interested in "pork barrel" appropriations. A far greater danger to the United States than any foreign army that might come across the seas, lies in the poor sort of civic pride which allows graft to exist, aids and abets it. There is another condition to remedy. We waste time and money in the army and we waste men. It is demoralizing to support an army in idleness. In times of peace the enlisted men and the officers should be trained in technical and industrial arts, so that in time of war there would be capable and trained men in every rank. That sort of education is just as important as military training."

In concluding, the speaker suggested that we spend more on the school systems in order to properly educate all the people, "For the army and navy will never be large enough if not backed by the industrial preparedness and efficiency of the people. We should have so wonderful an industrial education system that the people would want to enlist out of sheer personal pride in the country's institutions."

On February 12, about sixty Chapter men journeyed out to the Larkin Company's plant where they were given a very cordial reception, and made a delightful trip through the Larkin Company's handsome office building and its mammoth factory.

Our Thrift Committee has made arrangements to deliver talks on thrift before several large religious organizations, and the second series of four "Talks" before the Y. W. C. A. Club of the Larkin Co. is almost completed. The first of the series, "Thrift," was given on the evening of February 7, by James Rattray of the Bank of Buffalo; the second, "Savings Banks," on February 14, by President H. H. Halm, Jr.; the third "Investments," on February 21, by Alva L. Dutton of the Bankers Trust Company; and the fourth, "Household Efficiency," will be given March 6, by Geo. B. McPhail of the Fidelity Trust Co.

CHATTANOOGA

By C. W. Tomlinson

The seventh annual debate between the Nashville and Chattanooga Chapters was held in Nashville, February 22. The subject was "Resolved, That tariff regulation should be placed under the control of a non-partizan commission which shall have the power to give such protection for American industries as the general welfare shall demand." N. J. Simmons and G. A. Rice of Chattanooga upheld the affirmative and the supporters of the negative side were Joel B. Fort and Geo. H. Donaldson of Nashville. The judges unanimously rendered a decision in favor of the affirmative. Several members of Chattanooga Chapter accompanied the debaters to Nashville. The members of the Chattanooga Chapter returned from Nashville filled with gratitude and enthusiasm because of the generous hospitality shown them by the Nashville Chapter. At the open business meeting February 25 a rousing vote of thanks was extended the debaters for their well-won victory, as this is the first time that a Chattanooga team has ever won a debate from Nashville on Nashville's own ground. It has been decided that the open monthly business meetings shall be held at the Business Men's Club of Chattanooga with a luncheon and talk from some local speaker of note, after which the regular business of the Chapter will be taken up.

The Clearing House Association having appropriated $700 to carry on the advertising feature of the "thrift campaign," the committee reports that everything is now in readiness for the beginning early in March. T. R. Durham is general chairman and the Chapter will have complete charge of this campaign. The committee has planned a month's campaign, throughout which, says the committee, "Chattanooga Chapter will be prepared to send men out to speak before schools, clubs, factories and other groups on the subjects of thrift and banking. We should be able to get the newspapers to carry reports of our activities in their news columns, in addition to what paid advertising we use. Through the aid of the manufacturers, we expect to get our propaganda into the various factories of the city. Through the newspapers we will offer prizes for essays or accounts of personal experiences in saving. This will bring to light many helpful ideas and when published will stimulate the general interest of the public in this subject. The last week of the campaign, which will be the climax, will be designated as 'Thrift Week.' During this week it is suggested that we offer coupons in the papers worth fifty cents to any person opening a savings account, provided this person increases his balance to $20 and carries a balance on same of $20 or over for one year. This will not only get new accounts, but will offer an inducement for regular systematic saving which in many instances will develop regular customers for our savings departments. A system has been worked out for caring for these coupon accounts, which will make their handling an easy matter for the savings bookkeepers. We propose to form an association, to be known as the Chattanooga Association for the Promotion of Thrift, sponsored by the Chattanooga Clearing House Association, to the membership of which we shall invite the Clearing House banks, local manufacturers, merchants, the local real estate exchange and other representatives of our industrial and commercial activities, as well as the heads of our various municipal departments. The object of forming this association is to make the movement a community project, rather than an advertising campaign for the benefit of the banks."

CINCINNATI

By Wm. Beiser

On Monday, February 21, S. Gayle Lowrie, the director of the Municipal Reference Bureau, gave a very interesting talk on "The Need of a Federal Budget." Inasmuch as the demand for increased revenues and expenditures has been constant and the cost of operation of our Government

last year reached the enormous sum of $1,115,000,000, it is certainly reasonable to require these charged with raising and disbursing this vast sum to employ the most careful plans. The use of scientific budgetary methods has been lacking. The formation of a budget plan involves a most careful survey of the needs of the Government for the next fiscal year. In our National Government we have never appreciated the need of making our revenue plans fit our plans for expenditure, but we have oscillated between the extremes of inflated or depleted treasuries.

According to Mr. Lowrie, the chief cause of extravagance in our Federal system of appropriations does not lie in the lack of an executive budget, costly as this may be, but in the fact that the consideration Congress gives the appropriations is so divided among committees that no adequate conception can be formed of the needs of the state in their entirety. In the lower house alone, not only are revenue measures divorced from the consideration given appropriation bills, but the appropriations themselves are divided among nine separate committees. In the Senate a similar condition prevails. No adequate conception of the fiscal program can be secured in this way. Even the division between the houses in the consideration gives these measures is inimical to a proper appreciation of the entire fiscal program. The most important step that can be taken to secure a proper consideration of financial measures is the formation of a single joint finance committee of the two huses of Congress, through which committee alone, revenue and appropriation measures will be considered and a proper co-ordination maintained. This plan has been adopted in a number of our states and the results have been salutary. Only in some such way can an intelligent approval be stamped on the administrative program for expenditures or the proposals for raising revenue.

DALLAS

By Forrest Mathis

The continued interest in the law class being conducted by Wiley A. Bell, of the local bar, is extremely gratifying to the officers of the Chapter and others interested in the class. The book on "Commercial Law" has been covered and the class is now occupying itself with "Negotiable Instruments."

The many friends of George F. Stroud and Eugene Irvine, both of whom are with the American Exchange National Bank, are congratulating them on their recent advancements. Mr. Stroud has been placed in charge of the foreign collection department and Mr. Irvine has been promoted to receiving teller. Both are Institute men.

M. B. Keith of the Security National Bank and a member of the committee on public affairs has made arrangements for a thrift week in Dallas during the month of March. The co-operation of the local papers has been assured and lectures, shop talks and sermons in the churches of the city are being planned.

DENVER

By Marsdon E. Weston

Denver wants the Institute convention in 1917. The following committee has been appointed to personally extend an invitation accordingly to the various Chapters, and should the Institute elect to convene here in 1917 the same committee will continue in charge: Richard M. Crane, C. G. Weston & Co., chairman; Denver R. Platt, assistant cashier First National Bank; Sever Daley, Pioneer State Bank; Theodore G. Smith, vice-president International Trust Co.; W. O. Bird, Colorado National Bank; Geo. A. Brown, Sweet, Causey, Foster & Co.; Marsdon E. Weston, O. F. Benwell & Co.

Denver Chapter has organized its thrift campaign committee and plans and assignments are now being made, so the actual work of the campaign should commence very soon. The following committee has been appointed and it will be noted that men from a variety of occupations have been chosen, thus carrying out the recommendation of the general committee: William O. Bird, Colorado National Bank, chairman; Otto Kiene, City Bank and Trust Co., vice-chairman; Dr. I. B. Perkins; D. A. Barton, secretary Home Savings Bank and Trust Co.; Rev. H. S. Foster; H. N. Barrett, principal East Denver High School; G. A. Askling, First National Bank; H. M. Jackson, German American Trust Co.; Wayne C. Williams, member State Industrial Commission; Ira E. Lute, secretary W. M. C. A.; John W. Brooks, Smith-Brooks Printing Co.; James H. Pershing, attorney; W. G. Trimble, credit manager Denver Dry Goods Co.; F. N. Briggs, president Interstate Trust Co.; S. J. Thomas, president Merchants Bank. The foregoing are representative citizens of Denver, and their indorsement of the proposition will go a long way toward making it a success. With the exception of two or three, all have been heard from and have accepted their appointment.

The eighth annual ball of Denver Chapter was held at El Jebel Temple Saturday night, February 19. One hundred and sixty-five couples enjoyed the affair by dancing the pigeon walk and other of the latest steps. The committee on arrangements consisted of Charles Allen, Thomas A. Kast, Stanley Wright and Lawrence K. Whipp. The patrons and patronesses were: Mr. and Mrs. H. J. Alexander, Mr. and Mrs. George Barrett, Mr. and Mrs. G. B. Berger, Mr. and Mrs. F. W. Calvert, Mr. and Mrs. Gordon Jones, Mr. and Mrs. J. C. Mitchell, Mr. and Mrs. Godfrey Schirmer, Mr. and Mrs. Theodore G. Smith.

On the evening of February 9 Denver Chapter held one of the most enthusiastic and successful meetings in its history. It was the regular monthly meeting and fully one hundred men were present to hear Dr. Charles L. Mead's address on Lincoln. His remarks were full of valuable ideas —important to the individual and to business interests as well. He first referred to the mental capacity and force of Lincoln, which was a factor in determining the course of human events. In this connection he pointed out how the preservation of the Union and the consequent respect and friendship of neighboring islands and countries had made the Panama Canal a reality and foreign trade relations possible. Lincoln's great moral potency, Dr. Mead said, had served as a balance to his mental strength and directed his strength to the good of humanity and equity. These two great forces in Lincoln's character had been crowned by his great magnanimity of spirit, resulting in his kind attitude and friendly spirit toward those who differed with him. Some who were present remarked after the address that they had supposed everything had been said that could be about Lincoln, but Dr. Mead held the strictest attention of his audience for an hour and a half.

DES MOINES

By Leo J. O'Flaherty

We now have enrolled in the Chapter 169 members, fully two-thirds of whom are studying law under the direction of Judge C. A. Dudley of the district court. We meet for study each Monday night at the Capital City Commercial College classrooms, and the members are all very enthusiastic over the work. We have perfected our organization with the following officers: president, C H. Stephenson of the Iowa National Bank; vice-president, Will Luge of the Capital City State Bank; secretary, Leo J. O'Flaherty of the Mechanics Savings Bank, and treasurer, Scott C. Pidgeon of the Drake Park Bank. Thursday, December 20, we had a general meeting and dinner at Younkers Tea Room and were favored with an excellent address by Hon. George F. Henry. The entertainment committee is planning something interesting for each of the monthly meetings during the rest of the year, and on the whole the Chapter is making such progress as to far exceed the hopes of G. E. MacKinnon, to whom we are indebted for this reorganization.

KANSAS CITY

By F. D. Sage

Officers' night was an innovation which proved to be a complete success. About forty-five bank officers ate dinner with the members of the graduate class at Nances Restaurant. After a pleasant hour spent around the banquet board, everyone repaired to the clearing house rooms, where the main event of the evening was held. This event was in the nature of a debate, the question being, "Resolved, That the number of Federal reserve banks should be reduced to one." The debate committee, composed of Messrs. Burch and Hamm of the First National Bank, had perfected their arrangements and the program showed the result of their good management. The debating teams were composed of the following: Dick W. Martin, Fidelity Trust; J. R. Neal, First National; J. J. Swofford, Jr., Gate City National, affirmative; E. B. Bradbury, Brack McCarter, Commercial National; L. M. Pence, Citizens State Savings Bank, negative.

The fact that those of the affirmative were all from the "show me" state and those of the negative were all Kansas boys, although chosen thusly as a matter of convenience only in getting together, nevertheless this arrangement was at once heralded as an interstate affair and brought out a good deal of friendly rivalry. The champions of the sunflower state were out *en masse*, and under the coaching of cheerleader Prouty kept the enthusiasm at high tide through the entire evening. But the Missouri boys were out for victory, and although they perhaps had the best of it in the matter of oratory, they failed to make as many points as the negative; which fact was evidenced by the verdict of the judges, indicating that the Missourians had indeed been "shown" to the tune of four to one. To Professor Holmes is due the credit for the masterly way in which the discussion was handled. It showed plainly that the boys have been making the best of the instructions in parliamentary practice and speaking which he has been giving us. Now that we are fairly started in the debating field, we would not be surprised to hear the gentle murmur of a challenge from some of the nearby Chapters.

The class in commercial law finished the study of commercial law in February 1 and were given an examination on that subject by Instructor Walker. On February 8 they began the study of negotiable instruments, which they plan to finish about May 1. The class attendance is still near the high-water mark. Mr. Walker is presenting the subject in such an interesting way that the boys have learned to look forward to each Tuesday night and refuse to miss even a single meeting. The average attendance is about eighty.

February 8 H. B. Leavens of the Fidelity Trust Company addressed the graduate class on "Things that stand in the way of national banks establishing trust departments." This proved to be a very interesting meeting. Mr. Leavens explained the many disagreeable features connected with the handling of estates, with which the average banker would not have the patience to contend. Also the question of the legality of that provision of the act was discussed and numerous opinions written by some of our best lawyers were read. It is not probable that any of the national banks will take advantage of this feature of the act.

February 11 the Bankers Club gave a dinner at the Hotel Baltimore complimentary to Jerome Thralls, who is leaving for New York to take up the duties of secretary of the National Bank and Clearing House Sections of the American Bankers Association. Mr. Thralls is an Institute graduate. He was a charter member and one of the organizers of Kansas City Chapter, and we feel justly proud to see our fellow member being so honored. President Cheney addressed the club in behalf of Kansas City Chapter and presented Mr. Thralls with a set of resolutions signed by the officers of the Chapter expressing appreciation of his valuable service and extending the best wishes of the entire membership for a complete success in his new undertaking.

LOS ANGELES

By A. C. Hoffmann

It was just a year ago that Los Angeles Chapter was reorganized and placed upon a firm footing. It is with a sense of pleasure and gratification that those who guided the affairs of the Chapter look back over the past month, for while in the beginning high ideals were set, they have been attained with even a greater measure of success than was anticipated. While the credit for these achievements rests evenly upon the shoulders of President Thomson and his associates in the management of the Chapter, and the substantial assistance of the Los Angeles Clearing House has made it possible to carry out all plans to a successful termination, another factor in our success has been the counsel and advice of one of the most prominent men in the American Institute of Banking, who came to Los Angeles just at the time our reorganization. As a token of our keep appreciation of this man's assistance and for the reason that many of the strongest Institute men are urging it on account of his services, not only to New York and Los Angeles Chapters, but to the Institute at large, the Board of Governors of Los Angeles Chapter, at a regular meeting on February 7, 1916, unanimously adopted the following resolution:

"*Whereas*, During the period since the convention of the American Institute of Banking at San Francisco, the name of E. G. McWilliam has frequently been mentioned as a possible candidate for the presidency of the Institute, and;

"*Whereas*, The president of Los Angeles Chapter is in receipt of letters from prominent members of the Institute, located in New York, Philadelphia, Milwaukee, New Orleans, San Francisco and elsewhere, urging the candidacy of Mr. McWilliam, and;

"*Whereas*, Mr. McWilliam has demonstrated his fitness for the office of president of the American Institute of Banking by his service as president of New York Chapter, and in various other capacities in that Chapter; by his services as chairman of committees of the Institute; and by his services to Los Angeles Chapter, now therefore be it;

"*Resolved*, That at the 1916 convention, to be held in Cincinnati, the name of E. G. McWilliam of Los Angeles be placed in nomination for the office of president of the American Institute of Banking, and be it further

"*Resolved*, That the president of Los Angeles Chapter be instructed to appoint committees and take such further action as may be deemed necessary to solicit for Mr. McWilliam's candidacy the favorable consideration and support of all Chapters of the Institute."

Mr. McWilliam needs no introduction to a large percentage of the members of the American Institute of Banking. For many years he has been prominently identified with the Institute, serving upon committees and appearing upon convention programs. He was secretary and also president of New York Chapter, and bankers throughout the country will recall him as Secretary of the Savings Bank Section, American Bankers Association, for three years prior to assuming the position of manager, Department of Publicity and New Business, Security Trust & Savings Bank of Los Angeles. Mr. McWilliam was born August 20, 1877, in Brooklyn, N. Y., receiving his primary education in the public schools of that city, and in 1894 graduated from the Pratt Institute of Brooklyn as an architectural draftsman. In 1896 he entered the employ of the Dime Savings Bank of Brooklyn and two years later accepted a position with the Irving Savings Bank of New York, serving that institution for fourteen years. While with the Irving Mr. McWilliam became interested in the Institute and acquired his certificate during his first two years of membership. Upon being chosen secretary of the Savings Bank Section, A. B. A., in 1912, he resigned his bank position to give entire attention to the new office. It was while occupying this position that he conceived the thrift movement which is being carried on so successfully at present by the Savings Bank Section. As chairman of the Institute Committee

on Thrift Work, Mr. McWilliam is lending material assistance to this movement. In presenting a candidate for the presidency of the Institute, Los Angeles Chapter realizes that it is seeking an honor which perhaps might be sought with less temerity by an older Chapter, but in view of the fact that educationally we have rapidly come to the front, having now the largest law class in the Institute, and that our candidate is a man who in a sense belongs not merely to us but to all of the Chapters through his work for them, we trust that all Chapters will give to Mr. McWilliam their hearty support.

The thrift campaign has begun in Los Angeles. Two addresses upon the subject of Thrift and the Centennial of Savings Banks have been delivered recently under the auspices of the Committee on Public Affairs. One to some 1,400 students of the Hollywood High School and the other before the Young Men's Institute, a young business men's organization of some three hundred members. The Public Affairs Committee promises to have a good report for next month.

A promotion of interest to Institute men here is that of Edward H. Wallace, for several years assistant cashier and director of the Exchange National Bank, Long Beach, who has been elected vice-president of the Marine Commercial & Savings Bank of that city. Mr. Wallace is a certificate holder being among the first to graduate from Los Angeles Chapter.

President Thomson announces the resignation of George S. Greene of the First National Bank from the directorate of the Chapter. C. S. Tolley, from the same bank, has been elected to fill the vacancy and will prove a valuable man in that capacity.

Judge William Rhodes Hervey, vice-president of the Los Angeles Trust & Savings Bank, was the principal speaker at the regular monthly open meeting on February 18. His topic was "The Functions of a Trust Company," and his address was thoroughly enjoyed by the large audience which was present. Immediately following this address President Thomson announced the resolution of the board to place Mr. McWilliam in nomination for the presidency of the Institute at the coming convention, and the applause which greeted its unanimous adoption by the meeting left no doubt as to its popularity.

MACON

By G. C. McWhirter

The study class in law recently finished volume one on Commercial Law, and have begun the second volume on Negotiable Instruments. About fifteen have remained faithful in these studies and we hope to have this many men with us to the wind-up to take the final examinations.

The educational committee has announced that Hon. Malcolm D. Jones, a prominent attorney of the city, and president of the Rotary Club, will address the Chapter on some legal subject at its next monthly meeting, February 24. Our last speaker was Major A. W. Lane, on the subject "Contracts."

A public affairs committee has been appointed, consisting of Messrs. M. B. Smith, of the Macon Savings Bank, R. F. Fincher of the Macon National Bank, and I. L. Rowlson of the Citizens National Bank, and they are preparing to push the thrift campaign in a vigorous way. The local banks gave quite a good bit of publicity to thrift in celebration of thrift day, February 3, and they will cooperate with our committee materially in this work.

Quite a bit of rivalry has been engendered among the students of the law class, since the banks of the city have offered to pay the expenses to the Cincinnati convention of the man who makes the highest mark on the final examination. While we believe all these men are studying for the main purpose of educating and benefiting themselves, this prize will no doubt make them more enthusiastic in their studies, and perhaps attract new members.

MINNEAPOLIS

By Carroll H. Rose

The report of the educational committee for the first semester indicates that fifty-nine men completed the half-year's work. Of these seventeen took the course in banking and finance and twenty-four the course in commercial law. The rest were distributed among the accounting classes and the class in economics. We look forward to adding quite a few names to the list of Minneapolis graduates at the close of the Chapter year.

Ladies' night was a distinct success. The committee arranged a dinner dance at the Leamington Hotel and some 350 members and ladies were present. After dinner a vaudeville program was put on by members of the Chapter and the remainder of the evening was spent in dancing and cards. The entertainment committee deserves much praise for the careful manner in which everything was arranged.

During the course of the evening the president made public some plans of the Chapter, which will result in a new departure in Institute work. A committee was appointed some time ago to consider the advisability of organizing a course of study suitable for the junior men entering Minneapolis banks. Their plans have met with general approval.

A committee consisting of J. F. Ebersole, A. V. Gardner and A. V. Smith will outline a course, prepare a book of standards and conduct one or two classes daily. These courses are to be made a part of the day's work of the clerks, who would be employed by the various banks as heretofore.

The instruction to be offered will cover the duties of a messenger, including some instruction in regard to his relation to the bank and the public and also the opportunities for advancement and the qualifications necessary; the fundamental principles of banking; explanation of the various forms of negotiable instruments and their use; the relation of the bank to its depositors; the relation of each department to the others and an outline of the work in the different departments, together with some training in the best use of the mechanical appliances of a modern bank.

To obtain the best results in the shortest time the attendance in the classes should be as regular as possible, and when called upon to do so, the instructor will report to the banks the progress being made by the boys in whom they are directly interested. This information will undoubtedly be of benefit, both to the bank and the individual, in determining whether he is fitted for the banking business. The expenses of such work are to be apportioned among the banks in proportion to the number of boys sent to the classes, all the banks in the city to have the privilege of sending as many boys as they wish. A number of the banks have already expressed themselves as heartily in favor of this plan and have pledged their support. The committee believes the school will be in operation by March 15. By this plan Minneapolis Chapter will be furnishing practical assistance to the Minneapolis banks by training the men who are to work for them in a way that has not been possible before.

The time is drawing near for the election of new officers and convention delegates. Our system of holding special meetings for nominations has not proved entirely successful. This year the executive committee has appointed a nominating committee which will name two candidates for each office and two men for each position as delegate. In addition to this, open meetings will be held as heretofore, where any ambitious member may have his name put on the ballot. Under this system there will be considerably more competition than has been the case in the past.

Minneapolis claims to be one of the first cities in the United States in which a group of bank men have organized for military training. The Chapter, being pressed with other activities, decided not to take up this question for the present, but the employees of the Northwestern National Bank were very much interested in the matter and at a meeting at which Judge Eli Torrance, former commander-in-chief of the Grand Army of the Republic, and W. B. Brewster, field secretary of the National Security League, were present, they decided to organize a company among them-

selves. Enlistments already total about sixty-five and they will undoubtedly reach the hundred mark. A number of the men have had training in military schools and the National Guard, and these men will undertake to drill the company. Although this is not an Institute organization, it resulted from the suggestions and recommendations of the Institute committee on military training and the members are mostly Chapter men.

Minneapolis Chapter and the Institute as a whole have been receiving considerable publicity through financial papers and magazines of this district, and recently, when the *Minneapolis Tribune* decided to devote two pages each Monday to a financial review, they offered to start an American Institute of Banking column. This column will be edited by the president of the Chapter and it will contain national as well as local Institute news. Our president, Mr. Thomson, will speak March 29 before the Tenth District group meeting of the Minnesota Bankers Association on the subject, "Advantages of the Institute Educational Work."

The Minneapolis Public Library has started a business reference branch in the center of the financial district and offers to obtain any books which members of the Chapter may desire. This will be a convenient place for the men taking educational work to study during their noon hours. The Chapter will also be permitted to use the rooms for committee meetings and general meetings.

The Minnesota Bankers Association has been appointed agent of the Correspondence Chapter for the purpose of furnishing instruction to students outside of Chapter cities in the state of Minnesota. As agent, it will supply students with the text-books, including exercises which constitute the Institute study courses, correct exercises submitted by students, answer questions asked by students in connection with the work, and conduct final examinations in accordance with conditions prescribed by the Correspondence Chapter. We feel sure that this plan will result in an increase in the number of correspondence students in the state.

L. R. Swett, our vice-president, has resigned his position with the First and Security National Bank to become auditor of the Rogers Lumber Company of this city. We regret losing Mr. Swett as a member of the Chapter and wish him success in his new position.

NEW YORK

By I. H. Meehan

The educational work of the Chapter now enters on the second lap of what seemed an interminable journey to some of the men who registered for the various courses during the months of September and October, 1915. The men in the senior class are looking forward to the night of the annual rally when the Institute certificates are officially turned over to them by Mr. Allen, the educational director of the Institute. True, much remains to be done in the way of study and cramming for examinations before the much-coveted sheepskin is obtained, but if appearance counts for anything, the look of determination evidenced on the faces of the men in the 1916 class is only capable of one construction, and that is, each man is resolved to be a Chapter graduate this year.

Not satisfied with the splendid educational courses already given and now under way, the educational committee has seen fit to engage the services of Dr. Kester to conduct a course in bank accounting. In the early days of the Chapter, a course in bank accounting was something that was dreamed of but never brought up for discussion as it was realized that the facilities for conducting such a course were very limited. It has remained for J. B. Birmingham chairman of the educational committee, to make this dream a reality and it is due to his efforts and the efforts of his fellow committeemen that the present course in accounting is given.

The group system of the law class under the leadership of F. M. Totten and his committee—made up of W. F. Wilson, S. J. Sterritt, J. L. Holihan, W. Isaac and J. W. Hanson—has met with the approval of the Chapter officers, the educational committee and those graduates who still continue active in Chapter work. The system adopted by the law class not only stimulates the men in their studies but also promotes Chapter fellowship which is an important factor in the development of our organization.

On Wednesday evening, March 8, Fred W. Ellsworth, publicity manager of the Guaranty Trust Company, will give the first of a series of six lectures on "Bank Advertising." As Mr. Ellsworth is conceded to be the leader in this particular field of bank work a course under his supervision is bound to be popular. Bank officials will find many helpful suggestions in the lectures to be given by Mr. Ellsworth and a cordial invitation is extended to all bankmen to attend the first lecture.

On Friday evening, February 25, our debating team journeyed over to Philadelphia to try and convince the team from Philadelphia that the negative side of the question, "Resolved, That the ownership of merchant vessels by the United States Government would be detrimental to the best interests of this nation." The Philadelphians won, however, and are to be congratulated.

The Seaside Section has completed plans for a Chapter minstrel show to be held sometime later in the season. Several good singers are still needed to fill the ranks and those men who have had experience in this line of work are requested to communicate at once with R. W. Saunders of the National Bank of Commerce.

The Forum under the leadership of R. A. Philpot continues to provide interesting subjects for discussion at the informal meetings held on Wednesday evenings. On March 1, the meeting will be addressed by F. D. Bartow, vice-president of the First National Bank, on "Investment Securities," and on March 15, by William A. Law, president of the First National Bank of Philadelphia, on "By-Products of Banking."

The Forum dinner will take place on the evening of March 29 at the Hotel Brevoort. It is urged upon those wishing to attend this dinner that immediate reservation be made with the chairman, R. A. Philpot, 120 Broadway, as the number of guests is to be limited.

At the January meeting of the board of governors, Messrs. Geo. W. Wright of the Bowery Savings Bank and A. F. L. Reuffer of the Chase National Bank were elected to the board. Both of these men have been active in Chapter work for several years and their election to the board of governors is a fitting reward for the services rendered the Chapter.

Chapter men will be particularly interested in the promotions that have come to several of the members since the first of the year. The following is a list that has been brought to the attention of the secretary: Henry Billman is now vice-president of the North Side Bank; L. E. Auperin is now assistant manager of the Bronx branch of the Corn Exchange Bank; G. P. Burch has been made manager of the Fordham branch of the Corn Exchange Bank; G. F. LaCombe is now assistant treasurer of the Liberty Trust Co. of Newark, N. J.; F. M. Johnson has been made assistant manager of the Thirty-third Street branch of the Chatham and Phenix National Bank; G. V. Hopper has been elected assistant cashier of the Chemical National Bank; Philip Kunzinger is now the paying teller of the Bay Ridge branch of the Mechanics Bank of Brooklyn; W. H. Radcliffe is now assistant secretary of the Westchester Trust Company of Yonkers, N. Y.; G. F. Gentes is now secretary of the Broadway Trust Company.

The following names have been added to the already large list of sustaining members of the Chapter: Frank A. Vanderlip, president of the National City Bank, First National Bank, Brooklyn, N. Y., Chatham and Phenix National Bank, Metropolitan Bank. Those banks or individuals wishing to take out sustaining memberships should communicate with Louis H. Ohlrogge of the National Park Bank, who will be pleased to forward the necessary blanks for signature.

With the February issue of Chapter Notes there was mailed to each member a copy of the Chapter Year Book, which represents a small part of the work done by the pub-

licity committee this year under the leadership of its chairman, H. R. Kinsey. The work of the publicity committee could be extended and simplified if each member of the Chapter would bear in mind that all news items should be brought to the attention of a member of the publicity committee in ample time to insure their insertion in the various banking publications.

In his address at the recent Chapter banquet, President Joseph A. Seaborg said:

"The American Institute of Banking is constantly growing and coming to take a larger part in civic as well as banking matters in various centers. There are today some seventy Chapters located in the principal cities with a membership of about 16,000, all working toward the goal of making better bank men. One of these Chapters is called the Correspondence Chapter and is made up of men in places where there are too few bank men to form Chapters. One of the important undertakings in which the whole Institute now has an opportunity to help is the great nation-wide thrift campaign that has been launched by the Savings Bank Section of the American Bankers Association and which will culminate the latter part of this year in the centennial celebration of the founding of savings banks in this country. It will be New York Chapter's privilege to have a large part in this important work through its committee on public affairs, which is co-operating closely with the Savings Bank Section. We have organized a speakers' bureau, and the members of this group will be called upon to make addresses on thrift and banking subjects before schools, churches, clubs and organizations of all kinds. This simply shows to what good use the Chapters of the Institute may be put, and I hope the time is not distant when we in New York will have, through the help of our bankers, such means and facilities as to enable us to make thorough plans for the proper training of men who are making banking their life work."

OAKLAND

By George W. Ludlow

The class taking part two of the A. I. B. course under the auspices of the extension division of the University of California made remarkably good records on their examinations held last month.

The president has appointed a committee to see what can be done in the matter of extending "Thrift" propaganda in this territory.

PHILADELPHIA

By William A. McCamy

Friday evening, February 11, is a time that Philadelphia Chapter should and will remember for quite a while. On that evening we got together for the first time in our new quarters and had an informal smoker and house warming. We are very proud of our new home and grateful to those whose generosity made such a move possible.

At the meeting Mr. Calwell, president of the Corn Exchange National Bank, spoke to the boys on behalf of the Philadelphia bankers and assured us that they were glad of the opportunity to help us in our work. He spoke of the benefits of the Institute to bank men and then added to our pleasure by informing us that a liberal contribution would be forthcoming to be used in improving our library. As W. A. Law, president of the First National Bank, has given us a handsome set of the Encyclopedia Britannica, we feel that we are being treated very liberally indeed. George E. Allen gave us some excellent advice for our future work and plenty of encouragement in his talk. F. W. Ellsworth of the Guaranty Trust Company of New York favored us with a mighty interesting address and our old friend, E. J. Cattell, heightened our optimism with a supply from his unbounded store.

Our members' night meeting on February 18 was interesting and instructive. Freas Brown Snyder, assistant cashier of the First National Bank, spoke on "Bank Investments," and the "Investments of Trust Companies" was handled by Carl Fenninger of the Provident Life and Trust Co. Mr. Fenninger deserves great credit for the success of our members' nights this season. The subjects have all been live ones and the meetings have been well attended and of great benefit to the boys.

On the 25th the debating team from New York Chapter favored us with a visit and contested with our team on the question, "That the ownership of merchant vessels by the United States Government would be detrimental to the best interests of the nation." They argued on the negative side and after a very interesting debate the verdict was awarded to Philadelphia.

The Chapter suffered a great loss the past month in the death of Maurice E. Benton, assistant secretary of the Land Title and Trust Co. He was one of our governors and a most active member. His work in the Chapter will be greatly missed.

Owing to the resignations of Messrs. Harry J. Haas and David Craig there were three vacancies in the board of governors, and Messrs. Thomas W. Smith, Howard E. Deily and Robert U. Frey were elected for the unexpired terms.

PITTSBURGH

By P. F. Tessmer

Our two classes made a very good showing in their examinations at the close of the first semester, over seventy-five making the required mark in economics and only four out of fifty-eight Chapter men in the money and banking class falling short in that study.

Both classes have started the second semester with the full membership, and the Chapter is to be congratulated in having the services of such an able teacher as Professor Kidd has proven to be. Boys employed at clerical work during the day are not easily held down to study in the evenings, but Professor Kidd is deeply interested in the subject of economics and has no trouble in holding the attention and interest of his class.

Professor Holdsworth's hobby is the money question, and the Chapter men in his class have certainly received new ideas about their profession and their conception of many banking questions has been considerably broadened. While the first period covered mainly the early history of money, the second period takes up banking to the present time and should prove especially interesting to our Chapter members.

PROVIDENCE

By L. V. Elder

The Chapter meeting held on Thursday evening, January 27, at the Noonday Club, proved to be one of the most interesting in our history. The speakers of the evening, John N. Eaton, assistant manager of the Pawtucket branch of the Industrial Trust Company, and our assistant educational director, M. W. Harrison, both handled their subjects in a masterly manner and held the close attention of the sixty odd members present.

Mr. Eaton was formerly with Messrs. E. Naumburg & Company and is therefore especially well equipped to talk on commercial paper. He gave a clear exposition of the American method of financing through note brokers, and followed it with an explanation of changes that might be looked for as a result of the recent ruling by the Reserve Board, whereby the reserve banks may deal in domestic acceptances.

Mr. Harrison outlined the plans of the Savings Bank Section for their big thrift campaign and showed us what other Chapters were doing along this line. He brought home to us the idea that thrift is not hoarding, but the systematic building of a reserve, not only in dollars, but in knowledge and in all things that go to build up character, good citizenship and good bankers. That his work was not all in vain

is proven by the fact that President Marshall has already secured four or five members who are ready and willing to take the platform to promulgate the thrift movement.

The class in business economics will meet for the last time on Wednesday. The men who have been taking this course under Mr. Wilcox feel that they have enjoyed the rare privilege of being led by a man who knows. The attendance has been good. Mr. Moulton, our instructor in the law course, reports that the work by his class has been excellent and he is confident that every man will give a good account of himself in the final examination.

It is pleasing to note that Providence Chapter men are constantly gaining the recognition and confidence due them. Recent promotions are John H. Wells and Ralph S. Richards, elected secretary and assistant secretary respectively of the Rhode Island Hospital Trust Company; Harry C. Owen and Henry Jackson, elected assistant secretaries of the Industrial Trust Company.

SACRAMENTO

By Harlan Fowler

The Forum is now well started. Six papers have been presented since January 27, four on banking subjects and two on current topics. The members meet on the second and last Thursday of each month. Much interest is manifested by the students. A 100 per cent. attendance is the record for every meeting held so far, and indications are that this record will be kept up. The banking and law classes are keeping pace with their schedule and showing good attendance.

Our secretary-treasurer, R. E. Lee, has resigned, and L. H. Street has been elected to fill the vacancy. Mr. Lee has left the banking field to enter into a local business house. Mr. Lee has always taken deep interest in Chapter work and was, at the time of his resignation, a member of the Forum.

On February 5 a party of 140 pleasure-seeking bankers took a flying trip to Truckee, a distance of 125 miles from Sacramento. Truckee is always under a blanket of snow at this time of the year and is a popular resort for young and old who seek recreation. While it was very cold in Truckee, Sacramento enjoyed her usual warm climate. Snow is a rare treat for Sacramentans.

The new Capital National Bank building is very nearly completed now and all are anxiously awaiting the day when they will enter their spacious and well equipped club rooms which are to be in this building.

SALT LAKE CITY

By A. C. Lewis

The work of the Salt Lake Chapter is progressing with the same interest and enthusiasm as heretofore. The class in commercial law is keeping up to its usual good standard under the able instruction of Frank E. Holman. At the luncheon held at the Commercial Club, Thursday, February 3, the members were honored with the presence of Attorney Mathoniah Thomas, who delivered an interesting lecture along the various lines of endeavor of the Chapter, "Thrift" being a feature of the address. It is safe to say that when Mr. Thomas is the speaker he will not lack an audience. On Friday, the 25th, the athletic meet was held in the Deseret Gym, which was followed by an informal dance.

SAN FRANCISCO

By E. V. Krick

Chapter interest during the past month has been centered around the examinations given in connection with the Institute study course. These examinations mark the completion of the first half of the year's work and the questions comprehensively cover the subjects studied. The banking examination held the end of January was given to the largest number of students yet enrolled at any of these tests. The results give evidence of conscientious work done. Of the forty-two who took the examination thirty-eight secured successful percentages. At the beginning we realized that our Chapter was entering upon a most successful year, but up to the present time we had nothing tangible except attendance upon which we could base such a prediction. The results of the first examination leave little room for doubting the assertion that the number of our certificate holders will this year be increased two-fold.

Mr. Russell Lowry, president of the First National Bank, Oakland, addressed the Forum on the evening of February 11 upon the subject, "The Discount Functions of the Federal Reserve System." In view of the fact that Mr. Lowry was until recently deputy-governor of the Federal Reserve Bank of San Francisco, his discussion of the subject was of particular interest. In his lucid, interesting style, Mr. Lowry placed before us something of the history and experience of the reserve bank in this district, as related to discounts, classifying the various forms and explaining the theory and practice of the operation in each instance.

On the evening of January 26 Frank R. Devlin, railroad commissioner, addressed our Chapter on "The Work of the Railroad Commission of the State of California." The Railroad Commission in its present efficient organization is relatively a new factor in our state government, but its authorized power is so great and its influence so far-reaching that it is today one of the principal factors in our civil polity.

The "Thrift" campaign has been steadily advancing. Each month sees new speakers being signed up and the old guard still faithful to the cause. The Chapter is not only carrying out its program in conjunction with the Board of Education at the social centers, but arrangements have practically been completed to put on a course of thrift talks at the Y. M. C. A. Frank C. Mortimer, cashier First National Bank, Berkeley, will address Heald's Business College on the evening of February 28 on "The New Banking and Currency Act." E. W. Wilson, manager of the International Banking Corporation, will deliver his address, "Money and How to Use It," before the Y. M. C. A. March 9.

Our general meeting in February, held the evening of the 16th, was devoted to hearing the practical side of "Thrift." Dr. A. H. Giannini, vice-president of the Bank of Italy, addressed the Chapter on "School Savings Banks." As the Bank of Italy has done the pioneering in this field of activity among the schools of San Francisco, covering a period of approximately six years, Dr. Giannini was amply qualified to give us many interesting facts and figures regarding the experience of his institution in educating the school children to save. The thrift of the school children in saving a few cents at a time now aggregates $253,000 with 16,000 accounts. Figures like these should certainly carry weight with listeners to "Thrift" talks.

ST. LOUIS

By L. C. Bryan

A. H. Roudebush, our law lecturer, gave an examination on February 15, covering first text-book. About sixty availed of the opportunity to demonstrate the advantages of this course and the results were indeed very gratifying. The classes continue to be exceptionally well attended, and this year we hope to add a large number to the list of A. I. B. certificate holders.

Legal Tender, the Chapter paper of St. Louis, made its initial appearance in January, and judging from comments heard, this innovation meets with the hearty approval of many members and friends. St. Louis Chapter will feel indebted to such A. I. B. members or Chapters as may find it convenient and agreeable to send to its publicity committee any article of general interest to its members. Personals as well as banking items will be appreciated.

Owing to the accessibility of the 1916 convention, St. Louis is looking forward to having an exceptionally large delegation.

SEATTLE

By Lester R. McCash

Fifty-one bank men took the examination covering the first half of the first year bank work February 18. It is planned to finish the work about May 1.

A memory training class has been organized with an enrollment of approximately sixty. The class is under the instruction of Professor Roth and meets every Wednesday night.

One of the most enjoyable evenings of the year was spent on February 25 at the Chapter clubrooms. It was known as "ladies' night." The entertainment consisted of amateur and professional vaudeville and later in the evening dancing.

Considerable interest is being taken in the annual election, which will be held in April. Quite a spirited yet friendly contest is being waged for the office of president, and it is expected that before the primaries several contestants will have entered the race for the other offices.

R. P. Callahan is receiving the congratulations of his many friends, the occasion being his election as assistant cashier of the National Bank of Commerce. Mr. Callahan is a former president of the local Chapter, is an Institute certificate holder, and has always taken an active part in Chapter affairs. The bank as well as Mr. Callahan is to be congratulated.

SPOKANE

By J. C. Alston

Spokane Chapter members played an active part in the thrift campaign carried on from February 13 to 19—"Thrift Week." Thrift sermons were given in many of the churches and short talks and addresses were made in the various schools and educational societies. The campaign was carried out very thoroughly and received encouraging support from the whole community. Among the speakers were E. T. Coman, F. M. March, M. W. Lewer, W. E. Kelley, Chas. Ham, W. N. Baker, C. Hemming, Sidney Smith, I. W. Bedle, J. W. Rigsby, W. D. Vincent, J. A. Yeomans, Geo. H. Greenwood, Frederick Greenwood, J. W. Bradley, George Scheider, W. E. Tollenaar, J. H. Tatsch, C. W. Jones, F. H. Piper, J. C. Tyler, E. V. Klein, R. L. Rutter, Samuel Galland, H. W. Witherspoon, W. L. Clark, Seth Richards, A. E. Nelson, Fred Libenau, W. L. Eggert, Howard Seesel, W. L. Partner, Joseph Baily, T. H. Brewer, A. W. Lindsay, J. J. Rouse, John Rochford, J. C. Cunningham, W. J. Kommers, A. S. Blum and Carl Art.

SYRACUSE

By S. H. Fyler

As a result of the debate between teams representing Utica and Syracuse Chapters, held in this city at "The Onondaga," the evening of February 8, the beautiful loving cup donated by Thomas R. Proctor, president of the Second National Bank of Utica, will remain in Syracuse during the coming year. Two victories are required for permanent ownership. Albert B. Merrill, Robert B. Porter and John G. Bryant compose the successful team. Syracuse Chapter has won four annual inter-city debates successively and has a sense of "preparedness" for the national debate at Cincinnati next September.

Factory visits have been popular this month. Under the leadership of Albert B. Merrill and Schuyler Baum, about seventy-five Chapter members inspected the Halcomb Steel Company's works on February 12 and the H. H. Franklin Company's automobile plant was visited February 22.

A special lecture on "Taxation" by James R. Brown, president of the Manhattan Single Tax League, was enjoyed February 25.

UTICA

By D. M. Williams

The Chapter has enjoyed a lecture by F. W. Ellsworth of New York and two lectures on law by Prof. F. R. Walker of Syracuse University. On February 8 our debate team suffered defeat at the hands of the Syracuse Chapter. Thomas R. Proctor, the president of the Second National Bank of Utica, had donated a handsome cup for the winner in a series of three debates. This was the first of the series. The question was, "Resolved, That national banks should have trust company privileges." The Utica team, upholding the affirmative, was composed of F. P. McGinty, H. W. Burrill of the Utica City National Bank, D. M. Williams of the First National and Hugh T. Owen alternate.

WASHINGTON

By John A. Petty

The work of Washington Chapter has progressed steadily with education in the forefront. Our law course has been conducted along the lines laid out by the Institute, and we will have a larger number take the final examination than we have had in recent years. In the post-graduate work, which we have been carrying on in the Forum class, the results have far surpassed the anticipations of the officers. Much original thought and work has been brought out and much benefit has been derived by the entire class.

Work has not made up our entire program, however. Several get-together meetings, in the nature of smokers, have kept alive the social end of Washington Chapter. Chairman Pettit of the entertainment committee has shown exceptional ability in arranging these meetings and has received the warm praise of all the members for his efforts.

The thirteenth annual banquet was held at the New Willard on Saturday night, February 19, and we had about 300 guests. Among these were to be seen the usual number of out-of-town friends. Rev. James H. Taylor offered the invocation, and the following gentlemen entertained us with interesting and instructive speeches: Hon. Carter B. Keene, director of the Postal Savings Bank; Rev. Abram Simon of the Eighth Street Temple; Hon. James L. Slayden, member of Congress from Texas; Dr. Francis H. Green of the West Chester State Normal School. Mr. Keene acted as toastmaster. E. T. Love, chairman of the banquet committee, had his work so well planned that there was not the slightest hitch, and all present voted this one of our most successful banquets.

Our worthy president, Harry V. Haynes, has been made assistant cashier of the Riggs National Bank, and Joshua Evans, one of our past presidents and well known in the Institute, has been made cashier the same bank.

WATERBURY

By Leroy S. Andrew

Waterbury, Conn., has been added to the list of Institute Chapters at a meeting arranged by the Clearing House. Lewis S. Reed of the Manufacturers National Bank presided and the speakers included Mr. Reed, George E. Allen, educational director of the Institute, and President Charles L. Holmes of the Waterbury Trust Co. After listening to an address by Mr. Allen on the aims and purposes of the Institute, a local Chapter was formed, articles of association presented and officers chosen. The following were elected: president, Lewis S. Reed, Manufacturers National Bank; vice-president, Robert S. May, Waterbury National Bank; treasurer, Earl R. Hudson, Citizens National Bank, and secretary, Leroy S. Andrew, Colonial Trust Co. The idea is in keeping with the general advancement of Waterbury along all modern lines and the future success of it depends entirely on the young men themselves. It will include about sixty-five members and the employees of nine banks. The sole idea is for the welfare of the young men themselves and to make the banking business more attractive to them.

WHEELING

By William W. England

The Chapter gave an informal dinner at which were invited all the bankers of Wheeling and vicinity to be the guests of the Chapter. We were fortunate in securing D. C. Wills, chairman and reserve agent of the Cleveland Federal Reserve Bank, to give a very interesting and instructive address on "Securities and Acceptances." After the talk of Mr. Wills, quite a number of our local bankers spoke encouragingly of the work done by the Chapter in Wheeling. We also had with us Mr. Herrod, of the First-Second National Bank of Pittsburgh, who brought the greetings of Pittsburgh Chapter, and spoke of Chapter work.

At the dinner a membership campaign was inaugurated and there were five teams selected, captained by Fred Fox, Jas. Sigafoose, Robert Lee Boyd, Sherwood Fee, Fred McConn. From reports from the team headquarters, all the teams are working hard toward the goal, which is "Every Banker a Member."

The study class is doing well under the instruction of Mr. Schiffler, and we will conduct an examination shortly for the Institute certificate of graduation.

POSTSCRIPTS

Correspondence Chapter Benefits—A Correspondence Chapter student writes: "In reply to your letter in regard to my law work I wish to state that I have been very busy, especially during the past few months, having been elected cashier of this bank last October, so that my time has been very largely taken up. I might say right here that I certainly have appreciated the help which I have received from the correspondence work through the American Institute of Banking. It has been a great help to me in filling the position which I now have."

Thrift Campaign—In connection with the thrift campaign, the Savings Bank Section makes the following suggestions: "If we spend any money in advertising and have a grouchy officer or employee in our institution who scares depositors away from the bank, it is foolish to waste money on advertising. To radiate contentment, to establish courtesy, it is necessary for each one of us to do his part, in the board of directors as well as the officers and employees. The number and quality of bank depositors depend largely upon the courtesy received from the bank officers or employees. Run the bank by the Golden Rule. Co-operative competition means the recognition of certain principles of doing business, in realizing that there is a reasonable living due each person in order for him to remain in business. To infer even in the most shadowy way, instability in a competing bank incites suspicion on the part of the public, and a consequent lack of confidence. It is therefore necessary in order to obtain the best results from newspaper advertising, more particularly, for our banks to collectively advertise, to adopt a community plan of advertising, which would measurably overcome suspicion and promote the confidence of the public in our banking institutions."

Value of Institute Learning—The *Kansas Banker* says that the chief value of education in general and of technical training in particular is that it makes a man a bigger and more efficient man whether in his own service or in the service of others, not only so, but because it is so, these better equipped, better trained men are being sought for and given better positions and better salaries. This is nothing new; it is the law, and is as old as the law, and will be true as long as the world stands, and that will be forever. With notable frequency accounts appear in the bank journals of this, that and the other Institute graduate being advanced to more responsible posts. Within a week two instances of promotion in bank official ranks are announced, both of them young men who had successfully completed the Institute courses. And yet let no junior bank officer in Kansas be over-persuaded to devote himself to institute study primarily to get a job, or in popular terms to "get a raise." Promotion does not come from the mere reading of a book, or committing page after page to memory, on emerging from the latter end of some prescribed course; promotion springs rather from some degree of added efficiency, whether gained from experience or through books and teachers. To become more efficient therefore is the primary end of all training; then comes the coveted position and, in due time, the well-merited "raise."

Owen's Idea of the Institute—Senator Robert L. Owen, in his address at the banquet of New York Chapter, paid the following tribute to the Institute: "It has given me great pleasure to have had the opportunity of paying my respects to you. It was because of the respect which I have for the banking profession and because of the respect which I have for your people who serve the public that I laid aside every other matter and came here to do myself the honor of making a few remarks to you and to show you our appreciation of what you are doing and what you are capable of doing for our great Republic."

Better Bank Employees—The *North Dakota Banker* says that the officers of the North Dakota Bankers Association would like to impress upon all bank officers the importance of encouraging all bank employees in the state to take the course of study provided by the American Institute of Banking. Bank officers should make it compulsory on all bank employees to study this course thoroughly. When young men first take positions in banks it should be required of them to read the small book entitled "Elementary Banking," and bank officers should examine beginners after they have studied this book in order to be sure that they have familiarized themselves with the instructions contained in the book. This should be followed by a thorough course of study of the two books entitled "Banking Law" and "Negotiable Instruments." These three books can be purchased at a very small expense and when the responsibilities that are thrown upon young men who occupy positions in banks are taken into consideration bank officers must agree that some special training should be given such young men when they first enter the service of a bank. Case after case comes to the attention of Association headquarters where just a little bit of study and training on the part of the bank employees would have saved many dollars in many institutions. It is surely the duty of all bank officers to make a short course of training and instructions compulsory on the part of all bank employees. Better bank employees will lead to better citizenship, better communities and add immensely to the success of any institution in which is enforced a careful study of the books named.

Lest We Forget—Self-education without guidance is an interesting thing to read about in the biographies of Benjamin Franklin and Abraham Lincoln, but average persons are not equal to it. As Ben Johnson put it, "Very few men are wise of their own counsel or learned by their own teaching, for he that is only taught by himself has a fool for a master." What most students need is a teacher to direct and encourage them. Education is a profession as exact as banking in its methods. In class work the Institute lesson pamphlets and lectures by instructors should be logically combined. Lectures alone are generally insufficient. Both lesson pamphlets and lectures should be supplemented by systematic examinations. Text-literature and lectures are educational food. Examinations are the process of digestion. The mind as well as the body requires exercise, and the student who ducks or dodges examination is like the dyspeptic who bolts his food or the athlete who sidesteps his training. The fact should be appreciated that examination is something more than measurement and certification. Students who realize that they are to be examined pay closer attention to their lessons. The process of examinaiton also corrects omissions and misconception otherwise inevitable in any system of study. Examination is a fundamental necessity in practical education, and not a scholastic superfluity as some persons suppose or pretend to suppose. Systematic education thus described requires work, but in modern banking as well as in modern banking education work is inseparable from success.

BANKERS HEALTH COMMISSION

THE BANKERS HEALTH COMMISSION is a corporation conducted without profit for the purpose of (1) promoting physical culture designed to secure healthfulness and increase efficiency among bank officers and employees; (2) providing health resorts where invalid bankers may obtain suitable accommodations on favorable terms; (3) furnishing information regarding personal and public hygiene. The officers of the Commission are Edmund D. Hulbert, chairman; Alfred M. Barrett, vice-chairman; Continental and Commercial Trust and Savings Bank of Chicago, treasurer; Merchants Loan and Trust Company of Chicago, trustee of reserve fund; George E. Allen, 5 Nassau Street, New York City, secretary.

PHYSICAL CULTURE.—The physical culture provided by the Bankers Health Commission includes a set of five "Every-day Exercises" in the form of a poster eighteen inches square printed on cloth. Such exercises are intended not to make athletes but simply to develop the fundamental functions of the body. No apparatus is necessary. No contortions are prescribed. Two or three minutes nights and mornings is all the time required. The price of "Every-day Exercises" is fifty cents a copy, payable in silver or postage stamps.

HEALTH RESORTS.—To fulfill the purposes of the Commission in regard to health resorts, it is necessary to consider not only the infinite variety of invalidism among bankers, but also the climatic characteristics of different regions and the cost of transportation between different localities. Conditions thus presented can only be met by an extensive system of regional resorts, and the Commission has accordingly made arrangements for the accommodation of invalids at Albuquerque in New Mexico, Excelsior Springs in Missouri and Idaho Springs in Colorado.

PHYSICAL WELFARE AND ITS PROMOTION

A significant feature of New York Chapter banquet was a spontaneous symposium on the subject of health. The Rev. Dr. Nehemiah Boynton of Brooklyn said: "I am a minister and part of my duty is going to Greenwood Cemetery. I go to Greenwood very, very often, and I tell you in all sincerity that I am carrying to Greenwood these days and am reciting the burial service over men who were not really due there for fifteen, twenty or twenty-five years, but they have gotten into the mill. They were not able, without a tremendous effort, which they could not summon, to extricate themselves, even for a little, from the urgencies of life, and when they got over to that time of life, fifty or fifty-five years of age—when they got just to that time of life—when they had worked like the devil—excuse the word—and have made money enough to take things a little more easily, they have found themselves in the grip of Bright's disease or liver complaint, or incurable dyspepsia, or something of that sort, and instead of using their money for themselves and for legitimate recreations they have found about the first thing to be done is that the money has to be paid for an exorbitant bill to the undertaker for burying them. I say in all seriousness to you, and especially to the young men who are just out, take your grasp and grip upon business. Don't be lazy. Work while the day lasts. Put all there is in you into the job you have espoused, but remember this, that if you underestimate the value and the necessity of appropriate relaxation and recreation in your life, about the time that you have realized yourself financially you will find yourself an invalid and bankrupt physically. The principle of recreation is the principle which a true man wants to reckon with."

Subsequently Senator Owen said: "The country expects from you great service, and I agree with my friend, Dr. Boynton, when he charges you with the responsibility of prolonging your own lives by wise and careful living. For years I have been struggling to pass a bill to establish a department of health by which we could extend the average of human life fourteen years—and it is capable of absolute demonstration—which, measured by one hundred millions of people in this country, would amount to an extension of human life, according to our present resources in human life, of fourteen hundred million years of human life. This is a gigantic asset which should not be lost sight of and which is appreciated in some quarters. It is claimed that by taking care of the human body any man can prolong his own life from fifteen to thirty years. I commend to you the game of golf as my friend, Dr. Boynton, has done—not too much of it, but occasionally. Some golf, some exercise and some restraint in your life. The best years of a man's existence are the afternoon of a well-spent life. The wonderful life of Louis Cornaro, who lived to be 104 years old and who buried all his doctors after they had given him up at the age of forty years, he attributed to proper eating and exercise."

ARCHITECTURE AND EFFICIENCY

W. J. Hoggson, the well known bank architect, writes a letter to the Bankers Health Commission, in which he calls attention to the fact that a light over the shoulder is the best to read with. Few persons there are who do not know that to write comfortably, without eye-strain, the light should fall on one's work from over the left shoulder, yet in how many banks is this knowledge made use of? How many banks are arranged to give the man who spends his days, months and years on books the best light to enable him to do the most efficient work? Too many there are that are arranged to "show off the fixtures" or to make a pleasant outlook for an officer or two, and the loss to the bank in efficient service is never considered. For the same reasons tellers are forced to strain their eyes through counter screen work of intricate design, and in many cases face a brilliant light with the face of the customer in the shadow, the light and sunshine given up to the man who steps into the bank for a few minutes and the dark part of the room allotted to the men who spend their lives there. The remedy is found in a proper arrangement of space, fixtures and furniture, and insistence that the architect design his building to fit the occupants; in other words, *plan the inside first.* The increase in the efficiency of the working force placed in a

properly arranged and lighted space is estimated at from 15 to 45 per cent., and the subject is well worthy the attention and study of the officers of every bank.

Ventilation, a very vital subject in the banking room, should be more than a draft down a man's head and back. In some banks where a crowd of customers is apt to throng the public lobby the danger of vitiated air is very great, for the officers and employees of the bank seldom realize how foul the air becomes until they have been breathing it for a considerable period. A simple arrangement of radiators can ordinarily be made to produce perfect ventilation, without danger to the occupants and without the expensive apparatus so often installed, and so frequently disused on account of noise and expense.

The subject of acoustics has of late occupied quite an important place in the mind of the bank designers, for nothing can be much more annoying than to sit down at one's desk and try to dictate or converse and have difficulty in being heard, much less being understood. It has not generally been appreciated that the modern steel and fireproof construction has been largely the cause of this growing inconvenience. The patent plasters now used also act as sounding-boards, where the old-fashioned hair mortar was really a cushion. This trouble, however, may be overcome by a treatment of beams and surfaces, and there are experts now who figure out with mathematical precision just the effect certain wall and ceiling surfaces will have on the acoustics and can suggest a remedy which may be applied during the course of the construction of the building or the remodeling of same.

If the advantage to the bank is considered only it cannot, from a purely sefish motive, afford to disregard the three requisites to a perfect banking room, and if the health and well being of the bank's employees have any influence, the requisites of light, ventilation and acoustics are of paramount importance.

THE KIDNEYS AND THEIR FUNCTIONS

Of all the operations of the various organs of the body, says Dr. Franklin C. Wells, Medical Director of the Equitable Life Assurance Society, no process is more delicate than that performed by the kidneys, and none is stranger or more important. For the work which the kidneys accomplish is that of filtration, and so efficiently does this little filtration plant do its work, that we seldom think anything about it at all. Oftentimes overworked and abused, yet the two kidneys continue their intricate and extensive filtering.

On examination, one finds that these two "filters" are shaped like large lima beans, and that they are placed at the mid point of the body, being suspended on either side of the spinal column. The left kidney is usually located higher than the right one, and is thicker and also heavier. Although in men the kidneys are ordinarily heavier than in women, still they will weigh about the same in proportion to the weight of the body.

The working parts and structure of the interior of the kidneys are indeed amazing. Inside of the outer surface of the kidneys there is a vast network of small tubes which are twisted and convoluted, and as a whole, are arranged in a cuplike shape. The opening from this "cup" is through a narrow neck, which leads into a large convoluted portion, which in turn, after many windings, leads in the form of a straight slender tube into the concave center of the "bean." The tube then returns, makes a loop up, and another descending, and becoming larger and larger, forms what is called the "collecting tube."

Not unlike the working of the lungs, the venous blood brings the impurities of the body into the kidneys. The blood is found in the kidneys in these thin walled tubes or capillaries which separate it from the urinary space. The epithelium then furnishes excellent conditions for filtering out the saline, worn out, and waste materials in the blood, thus removing whatever is no longer needed in the system, and getting rid of it by forcing it out through the tubes into the urine. By means of this wonderful arrangement, the work of the kidneys is carried on perfectly as long as a healthy condition is maintained.

WHERE TUBERCULARS ARE WELCOME

The Bankers Health Commission has made arrangements for the accommodation of tubercular patients at Albuquerque in New Mexico. The two climatic factors which have the greatest bearing on the cure of tuberculosis—high altitude and low humidity—are found in the climate of Albuquerque. The city is about a mile above sea level and the yearly rainfall is less than eight inches. These factors, combined with an equitable climate, summer and winter—there being over 300 days of sunshine every year—make of Albuquerque an ideal spot for the health seeker. Albuquerque terms itself the place "where the sick grow well and the well grow prosperous." Albuquerque offers every variety of accommodations for health seekers. There are six sanitoriums in or near the city, ranging in price for accommodations from $45 to $100 a month, the rates depending upon whether the institution maintains a staff of physicians. In addition, there are many boarding houses for health seekers, and in the Highlands can be found hundreds of substantial cottages which are rented furnished to visitors. Outside the city are ranch homes that accommodate convalescents at reasonable rates. The Commercial Club, which has its own fine home and maintains an efficient office force, will furnish detailed information regarding the climatic treatment of tuberculosis and the results which have been accomplished. The club co-operates with the Bankers Health Commission in welcoming patients sent to Albuquerque and will assist them in getting suitable accommodations. The bankers

of the city will personally see that patients recommended by the Commission receive the best of treatment and attention.

"THROW A BIG CHEST"

The United States Public Health Service declares that outside of the three essentials in the treatment of consumption, namely, rest, fresh air and good food, "there is no drug known, however rare or expensive it may be, that has any curative action in this disease, and all remedies advertised as such are to be avoided. Patent cough medicines are harmful; radium, X-rays or electricity in any of its forms have no special value in tuberculosis of the lungs. No serum has yet been found that will cure it, and there is no plaster or poultice which has an effect on the disease itself." Notwithstanding the fact that there is no specific for tuberculosis, however, the modern management of the disease, with the better education of the people as to its true nature, has resulted in a wonderful improvement in the death rate from this dread disease. The first essential in the avoidance of tuberculosis of the lungs, or consumption, is to keep the lungs strong, so that if the germs are breathed they can do no harm. One of the most important things in keeping the lungs strong is to keep the chest wide open so that the lungs can be properly used. While the development of a strong, well-formed chest is one of the most important factors in preventing tuberculosis, the same thing is to be desired if the disease has once started. Not only should we live in the open, but we should stand up straight and learn to "throw a big chest," so that the lungs can grow strong and the fresh air be taken in. The exercises provided by the Bankers Health Commission will do much to accomplish such results.

MORNING STRETCHES

The Boston School of Expression has just published a book by Dr. S. S. Curry entitled "How to Add Ten Years to Your Life," in which special attention is laid on the beneficial effects of stretching in the morning. "All the higher animals go through certain exercises on first awaking," says Dr. Curry. "There seems a universal instinct which teaches that certain stretches, expansions and breathings are necessary at this time. In fact, these actions are so deeply implanted in the instinct of animals that they seem a kind of sacred acceptances of life, a species of thanksgiving for all that life brings. The movements of animals on awaking are yawning, deep breathing, expansion and stretching. But man rarely takes such exercises. Between the moment of awaking and standing erect man possibly takes more time, whines more and does less than any other animal. Science has carefully explained the stretch, but men seem to refuse to take the lesson. The stretch extends the body so that the veins, where congestion is most liable to take place and where pressure of blood is weakest, are so elongated that the blood flows more easily from the arteries, where the pressure is strongest through the veins back to the heart, and circulation is equalized and stimulated."

SOME HEALTH QUESTIONS AND ANSWERS

Q. Why will a pan of water under a consumptive's bed cure night sweats? says the Illinois *Health News*.

A. It won't.

Q. What are the good and bad effects of sunlight in the parlor and living room?

A. Sunlight will promote the general health of the members of the family. It may fade the carpet. It's up to you to decide which is the more important.

Q. Why will a bag of asafoetida about the neck keep off contagious disease?

A. For the same reason that a cold buckwheat cake on the back of the neck will quarry gallstones.

Q. What effect does an amber necklace have upon goitre?

A. The same effect as a moss agate cuff button.

Q. What is the best time to expose a child to measles so that he may have it and be through with it?

A. The day after you permit him to play with a razor and build bonfires on the parlor floor.

Q. What is the chief danger about vaccination?

A. That it will not be done early enough, thoroughly enough or frequently enough.

Q. Why do some people still fear diphtheria antitoxin?

A. For the same reason that some people still carry buckeyes in their trouser pockets to keep off rheumatism.

Q. What is the difference between Cuban Itch and Puerto Rican chickenpox?

A. There aint no such animals.

WORRY IN SICKNESS

When an animal is sick, says the *Kansas Health Bulletin*, it does not worry about it nor about the outcome. Its mental attitude does not hinder nature's healing processes. It goes into the sunshine, takes the rest cure, stops eating and recovers. But if we have rheumatism in one joint we expect other joints to become affected. We worry about it. It is, of course, well established that the right mental attitude assists in cure, and it is equally important to understand that the wrong mental attitude hinders health restoration. Reason, imagination, will power are big factors in the restoration and maintenance of health. Every one should know the laws of suggestion and apply them in relation to health. Discover what habits of living—exercise, breathing, diet, mental habits especially, are conducive to health, live hygienically, and expect health, happiness and success. The right mental attitude is vitally important.

MEMBERSHIP CHANGES

REPORTED DURING FEBRUARY, 1916

Alabama	Birmingham	Jefferson County Bank in voluntary liquidation.
	Thorsby	Union State Bank closed.
Arizona	Willcox	Sulphur Springs Valley Bank succeeded by Central Bank of Phoenix.
California	Fresno	Bank of Central California changed to Bank & Trust Company of Central California.
Connecticut	Plainville	First National Bank succeeded by Plainville Trust Company.
Idaho	New Meadows	Meadows State Bank in voluntary liquidation.
Iowa	Afton	Savings Bank of Afton reported out of business in February issue in error.
Massachusetts	Melrose	Melrose National Bank changed to Melrose Trust Company.
Michigan	Greenfield	Northwestern State Bank now 2429 Grand River Ave., Detroit.
Montana	Butte	Banking Corporation of Montana discontinued.
	Missoula	Banking Corporation of Montana discontinued.
Nebraska	Callaway	First National Bank converted to Seven Valleys State Bank.
	Merna	Home Bank of Merna consolidated with Bank of Merna as Bank of Merna.
	Omaha	City National Bank sold to State Bank of Omaha.
New York	New York	Whittemore, Pell & Company succeeded by Hamilton Pell & Company.
North Carolina	Jefferson	First National Bank now West Jefferson.
Oregon	Portland	Portland Trust & Savings Bank changed to Portland Trust Company.
Pennsylvania	Pittsburgh	Commercial National Bank merged with Commonwealth Trust Company.
Rhode Island	Providence	United National Bank in liquidation.
Tennessee	Gallatin	Sumner County Bank & Trust Company resigned January 31, 1916.
Texas	San Antonio	Alamo Trust Company merged with West Texas Bank and Trust Company.
	Wharton	Wharton National Bank reorganized and reopened.
Wyoming	Greybull	Greybull Bank converted to First National Bank.

NEW AND REGAINED MEMBERS FROM FEBRUARY 1 TO 29, 1916, INCLUSIVE

California	Corning	Tehama County Savings Bank (regained).
Georgia	Hogansville	Planters Bank (regained).
Idaho	Boise	Overland National Bank (regained).
Illinois	Albers	Peoples Bank.
	Donovan	Farmers State Bank.
	Riverton	Bank of Riverton.
	Whittington	Whittington Bank.
Iowa	Des Moines	Iowa Trust & Mortgage Co.
	Mason City	City National Bank.
Kansas	Riley	Riley State Bank.
Massachusetts	Boston	Metropolitan Trust Company, First Ward Branch (regained).
	Boston	Tucker, Anthony & Co.
Michigan	Detroit	Highland Park State Bank of Detroit.
Mississippi	Clarksdale	Delta Bank & Trust Co.
	Schlater	Planters Bank (regained).
Missouri	Kennett	Bank of Kennett.
	Springfield	German American Bank.
Montana	Broadview	First National Bank.
	Grassrange	State Bank of Grassrange.
Nebraska	Chappell	Chappell State Bank.
	Crab Orchard	Bank of Crab Orchard.
	Long Pine	American State Bank.
New York	Brooklyn	The Thrift.
	New York	Tucker, Anthony & Co.
	New York	R. G. Whittemore & Co.
North Carolina	Concord	Citizens Bank & Trust Co.
North Dakota	Fortuna	First International Bank (regained).
Ohio	Kinsman	Kinsman National Bank.
	Shawnee	Shawnee Bank Co.
Oklahoma	Blue Jacket	First National Bank.
	Bristow	Bristow National Bank.
	Yale	First National Bank.
Pennsylvania	Mt. Morris	Farmers & Merchants National Bank.
	Philadelphia	Republic Trust Co.
	Pittsburgh	Callaway, Fish & Co.
	Wilkes-Barre	Callaway, Fish & Co.
South Carolina	Bennettsville	Peoples National Bank.
	Walterboro	First National Bank.
Tennessee	Copperhill	First National Bank of Polk County.
	Cumberland City	Cumberland City Bank (regained).
	Huntland	First National Bank.
	Pikeville	First National Bank.
Texas	Albany	Albany National Bank (regained).
	Anahuac	Chambers County State Bank.
	Childress	First State Bank.
	Liberty	Liberty State Bank.
	Wharton	Wharton National Bank (regained).
Virginia	City Point	Bank of City Point.
	Norfolk	Church Street Bank.
Washington	Clarkston	State Bank of Clarkston (regained).
Wisconsin	Cornell	State Bank of Cornell.